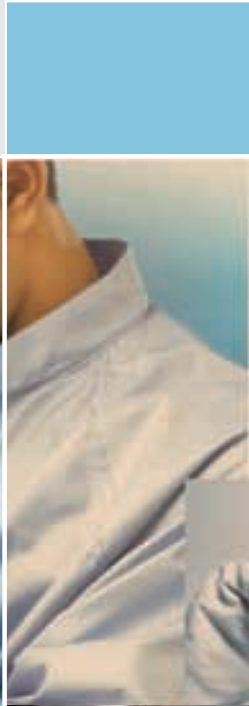




Bal Pharma Limited



**22nd Annual Report
2008-2009**



**Preferred Partner In
Quality Health Care**

**Board of Directors**

Mr. Shailesh Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Arun Bhan	- Independent Director
Mr. David Rasquinha	- Nominee Director

Company Secretary

Mr. S. Ramji

Registered Office

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Plant Locations**Unit I : Formulations**

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit II : R & D Centre & Bulk Drugs

61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit III : Parenterals

732/735, Off. National Highway No. 4,
Village Kenjal, Dist. Bhor, Maharashtra.

Unit IV : Formulations plant at Uttarakhand

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

Bankers

Canara Bank
Punjab National Bank
ICICI Bank Limited
EXIM Bank

Statutory Auditors

Ostawal & Jain

Internal Auditors

Ishwar & Gopal

Registrar & Share Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 22nd (Twenty Second) Annual General Meeting of the members of Bal Pharma Limited, will be held at 10.30 a.m on Friday the 25th September, 2009 at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2009, and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon;
2. To declare dividend;
3. To appoint a Director in place of Mr. Arun Bhan, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Dr. S. Prasanna, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors and to authorize the Board to fix their remuneration;

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT subject to all the applicable provisions and Schedules of the Companies Act, 1956 and the rules made thereunder and subject to all applicable clauses of the Memorandum and Articles of Association of the Company, approval of the Shareholders be and is hereby accorded for re-appointment of Mr. Shailesh Siroya as Managing Director of the Company for a further period of 5 (five) years w-e-f 01-08-2009.

FURTHER RESOLVED THAT subject to all the applicable provisions and Schedule XIII of the Companies Act, 1956 and subject to applicable clauses of the Memorandum and Articles of Association of the Company Mr. Shailesh Siroya shall be entitled for a remuneration of Rs. 3 Lakhs (Rupees three Lakhs only) per month inclusive of salary and perquisites but exclusive of the followings for a period of 4 months (w-e-f 01-04-2009 to 31-07-2009):

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT subject to all the applicable provisions and Schedule XIII of the Companies Act, 1956 and subject to applicable clauses of the Memorandum and Articles of Association of the Company Mr. Shailesh Siroya shall be entitled for a remuneration of Rs. 3.5 Lakhs (Rupees three

lakhs and Fifty thousand only) per month inclusive of salary and perquisites but exclusive of the followings for a period of 3 years (w-e-f 01-08-2009):

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure”.

By order of the Board

Bangalore
27-07-2009

S. Ramji
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE ON HIS/HER BEHALF. A PROXY NEED NOT BE A MEMBER.

Proxy, in order to be effective must be deposited the proxy instrument duly filled, at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report.

2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.
4. The Register of Members and Share Transfer Books of the Company will be closed for 4 (four) days from 22-09-2009 to 25-09-2009 (both days inclusive) for determining the names of the members eligible for Dividend on Equity Shares, if declared at the meeting.
5. Members, who hold Shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold Shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.
7. Members holding Shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited. Members holding Shares in electronic form may intimate any such changes to their respective Depository participants (DPs).



8. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative Share Certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, 503, Barton Centre, 84, M. G. Road, Bangalore – 560 001.
9. Dividend, if declared, will be paid on or before 24-10-2009 to those members whose names appear on the Company's Register of Members as on the date of 22nd AGM. In respect of Shares held in electronic form, Dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose;
10. Members are kindly requested to bring Annual Report 2008-09 along with them to the 22nd Annual General Meeting, since extra copies will not be supplied at the meeting;
11. In order to protect the investors from fraudulent encashment of their Dividend Warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services (ECS) facility to the Shareholders having Bank Accounts at Centers notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centers desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agent, TSR Darashaw Limited, Bangalore, on or before 10.09.2009.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 1999-2000 and 2000-2001 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The Company did not declare Dividend for the financial years 1996-97, 1997-98 and 1998-99. The members who have not encashed the Dividend Warrants for the financial years 2002-2003 onwards are requested to write to, Messrs TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.
13. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your Shares in the Company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent TSR Darashaw Limited for the prescribed form.

14. Pursuant to SEBI notification no. MED/DOP/Circular /05/2009 dated May 20,2009 it has become mandatory for the transferee (s) to furnish copy of PAN Card to the Company /RTA to enable / effect transfer of shares in physical form;
15. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item 6 is annexed hereto;

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956

Item no. 6

Mr. Shailesh Siroya was appointed as Managing Director of the Company for 5 years with effect from 01-08-2004 and his tenure expired on 31-07-2009.

Considering the following criteria, the Remuneration Committee of the Company has recommended his re-appointment to the Board of Directors:

- a) Performance of the Company under stewardship of Mr. Shailesh Siroya.
- b) His educational back ground.
- c) Immense experience in Corporate Management.
- d) Compensation paid in other comparable Companies.

The remuneration offered by the Share holders for Mr. Shailesh Siroya was up to 31.03.2009. Based on the recommendation of the remuneration Committee Board approved the existing remuneration to Mr. Shailesh Siroya for a period of 4 (four) months (01.04.2009 to 31.07.2009). This requires approval of the Share holders.

Based on recommendation of the remuneration committee, the Board of Directors in their meeting held on 27-07-2009 re-appointed Mr. Shailesh Siroya as Managing Director for a further period of 5 (five) years with effect from 01-08-2009 on the remuneration of Rs. 3.5 Lakhs (Rupees Three Lakhs and Fifty Thousand only) per month inclusive of salary and perquisites which excludes the followings for a period of 3 (three) years with effect from 01-08-2009 subject to approval of Members in General Meeting :

- (i) Contribution to provident Fund, Superannuation Fund or Annuity fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure.

The above may be treated as an abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956

Additional Information relevant to Mr. Shailesh Siroya, Managing Director as per clause B of paragraph I of Section III of para II of Schedule XIII of the Companies Act 1956 is placed as Annexure.

By order of the Board

Bangalore
27-07-2009

S. Ramji
Company Secretary

**ADDITIONAL INFORMATION RELEVANT TO MR. SHAILESH SIROYA , MANAGING DIRECTOR, AS PER CLAUSE B OF PARAGRAPH I OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956.****GENERAL INFORMATION :**

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of production	The Company was incorporated on 19-05-1987 as a private limited Company and it commenced commercial production from 1992
3.	Financial performance based on given indicators	For the year ended on 31-03-2009 Turnover and other Income : Rs. 106,55,43,117/- Profit before tax : Rs. 4,05,57,008/- Net worth : Rs. 23,96,82,781/-
4.	Export performance and net foreign exchange collaborations	The Company's Export income was Rs. 36,84,65,586/- in 2008-09 and there was no foreign exchange collaboration
5.	Foreign investment or collaborations if any	Nil

INFORMATION ABOUT THE APPOINTEE

1.	Back ground details	Mr. Shailesh Siroya is the Promoter Director and he holds Masters Degree in Business Administration from Akron University, USA.
2.	Past remuneration	Rs. 3.00 Lakhs per month which was in line with the provisions of Schedule XIII of the Companies Act, 1956.
3.	Job profile and his suitability	Mr. Shailesh Siroya is the Managing Director of the Company with his rich experience; he is the most appropriate person to be at helm of the affairs of the Company.
4.	Remuneration proposed	Rs. 3.5 Lakhs (Rupees Three Lakhs Fifty Thousand) only per month which is in line with the provisions of Schedule XIII of the Companies Act, 1956.
5.	Comparative remuneration profile with respect to industry , size of the Company , profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)	The proposed remuneration is in line with the other comparable Companies
6.	Pecuniary relationship / relationship with the managerial personnel, if any.	Messrs Desa Marketing International, Bangalore under an agreement with the Company provides Service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya is interested in Messrs Desa Marketing International, Bangalore. Approval of the Central Government has been obtained for this Agreement for a period of 3 (Three) years w-e-f 07.06.2008.

OTHER INFORMATION :

1.	Reason of loss or inadequate profit	Severe competition in both domestic and overseas pharmaceutical market.
2.	Steps taken or proposed to taken for improvement	Uttarakhand Formulation plant in Excise free Zone commissioned from January, 2009.
3.	Expected Increase in productivity and profits in measurable terms	With additional capacity of new formulation plant at Uttarakhand, productivity and profitability is likely to be increased by 10%.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING:

Name of the Director	Dr.S. Prasanna	Mr. Arun Bhan
Date of Birth	20/07/1948	07/09/1949
Date of Appointment	06/08/1994	31/05/2005
Qualification	M.Sc, Phd (IISc)	PGDBM (Ireland)
Experience / Expertise	Dr. S. Prasanna has been associated with the Company from the inception. He has Phd in organic Chemistry and extensive exposure as a Research Scientist. He has been heading the R&D centre of the Company.	Mr. Arun Bhan has been working as a Management Consultant for the last several years and is associated with the Company w-e-f 31/05/2005.
Other Directorships	1. Micro Labs Limited - Director 2. Novosynth Research Labs Private Limited - Director	1. Asian Townsville Farms Limited - Director 2. All in one security Systems Private Limited - Director 3. Viswakriya Housing Finance Limited - Director. 4. ATF Satyasagar Private Limited - Director. 5. ATF Pinak City Limited - Director 6. Webtech Solutions Limited - Director 7. E-Xseed Technologies & Devices (P) Limited - Managing Director
Other Committee Memberships in the Company	A) Bal Pharma Limited i) Banking Transaction Committee : - Chairman ii) Remuneration Committee - Member	A) Bal Pharma Limited i) Remuneration Committee - Member
Number of Shares held directly or indirectly	4,200 (0.4%) – Equity Shares	4,000 (0.4%) – Equity Shares

By order of the Board

Bangalore
27-07-2009**S. Ramji**
Company Secretary



To The Members

Your Directors have pleasure in presenting the 22nd Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31st, 2009.

1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2008-09	2007-08
1) Total Income	10667.67	9092.53
2) Profits before Depreciation and provision for Taxation	598.59	567.19
Less: Depreciation	188.58	163.46
Profits before Taxation and prior year adjustments	410.01	403.73
Less:		
3) Provision for Taxation	3.52	78.98
4) Fringe Benefit Tax	23.47	18.63
5) Deferred Tax	79.30	36.97
6) Extraordinary/ Non Recurring items	-----	-----
7) Prior year adjustment	4.44	118.02
	110.73	(16.56)
Add:	299.28	285.71
8) Profit & Loss Account balance at the beginning of the year	699.32	535.82
9) Profit made available for appropriation	998.60	821.53
Less:		
10) Proposed Dividend on Equity Shares	78.62	-
11) Tax on dividends	13.36	17.75
12) Balance Carried to Balance Sheet	(-) 91.98	(-) 122.21
	906.62	699.32

2. DIVIDEND:

In view of the satisfactory results and at the same time keeping in view of the requirements of resources for the expansion, your Directors are pleased to recommend payment of Dividend @ Re.0.75/- per Equity Share of Rs.10/- each (7.5%) against 10 % in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Industry overview and Outlook

GLOBAL PHARMACEUTICAL INDUSTRY SCENARIO:

Health is defined both as a cause and effect of economic development. Therefore, pharmaceutical industry is defined as an essential factor that can contribute to the economic development. In addition it provides significant socio-economic

benefits to the society through creation of jobs, supply chains and through community development. The industry also plays an important role in the technological innovation which may reduce the cost of economic activity elsewhere in the economy, Players in the pharmaceutical industry include branded drug manufacturers, generic drug manufacturers, firms developing bio-pharmaceutical products, non-prescription drug manufacturers, firms undertaking contract research.

The year 2008 witnessed an unprecedented economic downturn across all markets globally. The volatility and uncertainty in the financial environment was exceptionally high and led to sharp fluctuations in the foreign currency rate; However, the Indian pharmaceutical industry does not seem to get affected by this economic recession and is called recession proof industry.

EMERGING TRENDS:

The global pharmaceutical market grew by 5.1% to reach US\$ 726 billions in 2008. The developed markets, North America, Europe and Japan continued to remain the key markets, accounting 85% of the global sales while North America grew by 1.5% to reach US\$ 312 billions Europe grew by 6.2% to reach US\$ 242 billions and Japan grew by 4.4% to reach US\$ 65 billions. However, the emerging markets like Brazil, México, Asia, Africa and Australia grew by 15% to clock US\$ 72 billions sales.

INDIAN PHARMACEUTICAL INDUSTRY:

The Indian pharmaceutical market has registered an annual growth of 9.8%. The emergence of an organised pharmaceutical retail segment, fast growing medical insurance cover, higher volume of consumption led by economic growth, providing affordability of pharmaceutical products and awareness of modern medicines are the leading factors for the growth. This trend is likely to continue for sometime with respect to Indian market.

Indian market is expected to grow beyond US\$ 25 billions by the year, 2020. The exports from Indian pharmaceutical industry have also continued its upward trend. However, during the year the Indian industry has faced a few observations on regulatory affairs from US-FDA against a few leading players hence the Indian industry would have to address this phenomenon carefully by strengthening its documentation system. The emerging markets such as China, Brazil, Mexico, South Korea, India, Turkey and Russia continue to grow upwards and this provides opportunity for Indian players to look for future growth.

4. BUSINESS OPERATIONS:

The year 2008-09 has been a significant milestone for Bal Pharma Limited as the over all turn over crossed Rs.100 Crores. This puts Bal Pharma amongst the few in the industry. Your Company has achieved an over all turnover of Rs.106.67 Crores as against Rs.90.93 Crores during the past year thus registering a growth



of 17.31% on the top line. Despite the increase in top line, the net profit after tax increased negligibly from Rs. 2.86 Crores to Rs. 2.99 Crores on account of commissioning of the Uttarakhand plant to commercial production from 1st January, 2009.

Your Management intends to take full advantage of the momentum of growth in spite of the slow down in the current economic scenario of the world and it is confident that it would strive to increase the volume of the business with the additional capacities set up.

Your Company's branded formulations business mainly consisting of Diabetic and Cardiac Products made a turn over of Rs. 35 Crores as compared to Rs. 31 Crores last year. Efforts are being infused relentlessly to increase the market share in North India.

The Ayurvedic Division has made a marginal growth of 10% by increasing turn over to Rs. 2.41 Crores from Rs. 2.18 Crores in the previous year. Institutional business made a turnover of Rs. 5.11 Crores and the generic business was revived with turn over touching Rs. 6.05 Crores as compared to Rs. 2.55 Crores in the last year.

The exports formulations division registered a growth of 8.78% by increasing its turnover from Rs. 20.59 Crores in the previous year to Rs. 22.39 Crores in the current year. Your Company expanded its presence in Latin America market and is expected to touch many new markets in the next year.

The bulk drug business both domestic and exports have been very encouraging with the growth of 31.52% as the turn over of the division reached Rs. 29.26 Crores as against Rs. 22.25 Crores in the previous year. Utilization of facility at Basav Chem Limited (wholly owned Subsidiary Company) has also been to its full capacity. Regular supplies of products are made to developed markets such as Europe, Japan, Australia and Canada where products are already registered. Various DMF have been filed across the globe to increase our presence in other markets.

The total direct exports from your Company increased from Rs 32.82 Crores in the previous year to Rs 36.71 Crores in the year showing a growth of 12%.

Uttarakhand Formulation Plant:

The state of art formulation plant designed for regulated market in the excise free zone was completed during the year and the commercial production started from 1st January, 2009. Your Company is now gearing to take this plant into international markets in 24 months.

5. RESEARCH & DEVELOPMENT:

The Research and Development division of Bal Pharma Limited has been continuously working on the development and standardisation of processes leading to a variety of niche pharmaceutical products. The know-how thus developed in house has resulted in the bulk production of a few novel drugs with which the Company has entered the international commercial market.

The pharmaceutical products that have been developed in the R&D division are backed by extensive documentation of a standard to meet stringent requirements of international regulatory authorities. The quality characteristics of the product offered are well defined and are supported by sophisticated analytical methodologies developed for the specific purpose.

A foray has also been made by the R&D Division in the field of development of new chemical entities. The Company has filed for a patent for a new product to protect its Intellectual Property Rights.

Ready acceptance of products developed at Bal Pharma Limited in international pharmaceutical market is a yardstick of the high quality characteristics that the products possess. Application of stringent control measures at each stage of development of any pharmaceutical products provides ample assurance on all parameters of quality.

The R&D Division is also working on introducing new products possessing chiral characteristics to meet the increasing demand for such products in the international commercial market.

6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of Board consisted of Dr. G S R Subba Rao, Independent Director, Mr. David Rasquinha, Nominee Director of EXIM Bank, and Mr. Shrenik Siroya, Non-Executive Director.

This Committee headed by Dr. G.S.R Subba Rao, has been discharging its duties under SEBI Guidelines read with the Listing Agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.

7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs Ishwar & Gopal an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in respect of areas carried out by them.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2009:



- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (v) that the Directors have prepared the annual accounts on 'going concern' basis.

9. SUBSIDIARY COMPANIES:

The Company has two Wholly Owned Subsidiary Companies as on 31st March, 2009. Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies is given as Annexure I forming part of the Directors' Report.

Subject to the procedures prescribed under various laws and requisite approvals, your Board of Directors have decided for amalgamation of Basav Chem limited (100% Subsidiary Company) with Bal Pharma limited to reduce the statutory Compliance requirements under various Acts and for closure of Novosynth Research Labs Private Limited

10. PARTICULARS OF EMPLOYEES:

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

12. PUBLIC DEPOSITS:

As on date of the Report, the Company has not accepted any public deposits.

13. DIRECTORS:

As on date, your Board consists of 6 Directors, 3 of whom are Non-Executive Directors and of which 2 are Independent Directors. 1 of who is Nominee Director of Exim Bank. 2 of who are Executive Directors. Dr. S. Prasanna and Mr. Arun Bhan Rao retire by rotation at the 22nd Annual General Meeting

of the Company and are being eligible, offer themselves for reappointment. Your Directors have pleasure in recommending their reappointment.

14. AUDITORS:

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for re-appointment.

15. COST AUDIT:

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations Division.

Subject to the approval of the Central Government, the Board has appointed Mr. G.I. Srinivasamurthy as Cost Auditor of the Company for the financial year, 2008-09. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time.

16. EMPLOYEE STOCK OPTION SCHEME:

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2009 under the "Bal Pharma Limited Employees Stock Option Scheme, 2006" is set out in the Annexure – III to the Directors Report.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the Shareholders is given in Additional Shareholders information section.

18. INSURANCE COVERAGE:

The Board reports that your Company has adequately insured all the assets of the Company.

19. APPRECIATION:

The Directors place on record their appreciation of the co-operation and guidance provided by Canara Bank, Punjab National Bank, Exim Bank, ICICI Bank, State Bank of Indore and other Banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. Your Directors also place their appreciation of the good work rendered by all the employees. The Directors express their gratitude to all Shareholders for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Bangalore
27th July, 2009

Dr. S. Prasanna **Shailesh Siroya**
Director Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE I

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2009:

I. Conservation of Energy:

A. POWER AND FUEL CONSUMPTION		2008-09	2007-08
I. Electricity			
(a) Purchased Unit	(kwhr)	2088962	1974652
Total Amount	(Rs.)	10311288	9,453,051
Rate/Unit	(Rs.)	4.94	4.79
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	1226027	111025
Units per ltr of Diesel	(kwhr)	3.28	2.88
Cost/unit	(Rs.)	11.01	12.83
(ii) Through Steam Turbine / Generator		Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Standards * (if any)	2008-09**	2007-08**
i. Electricity		
ii. Furnace Unit		
iii. Coal		
iv. Others		

*	Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production
**	For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year

2. Disclosure of Particulars with respect to Technology absorption:

I. Research and Development (R & D)	
(a) Specific areas in which R & D is carried out by the Company	The Company's Research and Development department is involved in the development of synthetic processes and procedures for new active pharmaceutical ingredients (APIs).
(b) Benefits derived as a result of the above R & D	These efforts of the Research & Development department have resulted in the Company being in a position to introduce relatively new medicines in the market. The therapeutic categories to which these medicines belong are antihistamine, antiseizure, anticancer, and dermatology

(c) Future plan of action	The Company is now laying greater emphasis on such Research and Development activities with a result of which there will be continued and increased activity in this field
---------------------------	--

(e) Expenditure on R & D:	2005-06	2006-07	2007-08	2008-09
(i) Capital	78.28	102.73	27.94	NIL
(ii) Recurring	66.94	65.34	76.62	87.34
(iii) Total	145.22	168.07	104.56	87.34
(iv) Total expenditure as a percentage of total turnover	2.14%	2.37%	1.21%	084%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	Several innovative methodologies to prepare new drugs have been developed in-house in the R&D division. These have been absorbed and adopted and made applicable in scale-up operation in pilot plant and manufacturing sections of the Company.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc	The new drugs so manufactured in the plant, adopting technologies developed in-house, are being offered in international markets where they have found ready acceptance.
(iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be Furnished:	
(a) Technology imported:	Nil
(b) Year of import:	Nil
(c) Has the technology been fully absorbed	Not applicable
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action:	Not applicable

4. Total Foreign Exchange Earnings and Outgo:

	2008-09	2007-08
	Rs	Rs
Total Foreign Exchange Earnings	349,531,750	312,719,283
Total Foreign Exchange Outgo	199,073,164	157,387,359
(a) Raw Materials	186,572,876	150,863,630
(b) Other Foreign currency payments		
(i) Travelling Expenses	2,462,114	2,129,247
(ii) Export Promotion Expenses	5,421,772	1,582,503
(iii) Others - Capital import	4,616,402	2,811,979



5. Statement pursuant to Section 212 of the Companies Act, 1956 :

(A)

- (1) Name of the Company : Novosynth Research Labs Pvt. Ltd.,
- (2) The financial year of the Subsidiary : 31st March, 2009
Company ended on
- (3) Date from which it became Subsidiary : 10-8-2001
- (4) Number of shares held by Bal Pharma with its nominees in the Subsidiary Company at the end of the financial year of the Subsidiary Company : 346 shares of Rs. 1000/- each
- (5) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company : 100%
- (6) Net aggregate amount of the Subsidiary Company's profits(loss) so far it concerns the members of Holding Company
 - a. Not dealt within the Holding Company's accounts:
 - (i) for the financial year ended on 31-3-2009 : Nil
 - (ii) for the previous financial years : Nil
 - b. Dealt within the holding Company's accounts :
 - (i) for the financial year ended on 31-3-2009 : Nil
 - (ii) for the previous financial years : Nil

(B)

- (1) Name of the Company : Basav Chem Limited
- (2) The financial year of the Subsidiary : 31st March, 2009
Company ended on
- (3) Date from which it became Subsidiary : 06-12-2007
- (4) Number of shares held by Bal Pharma with its nominees in the Subsidiary Company at the end of the financial year of the Subsidiary Company. : 1,00,000 shares of Rs.10/- each
- (5) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company : 100%
- (8) Net aggregate amount of the Subsidiary Company's profits(loss) so far it concerns the members of Holding Company
 - a. Not dealt within the holding Company's accounts :
 - (i) for the financial year ended on 31-3-2009 : NIL
 - (ii) for the previous financial years : NIL
 - b. Dealt within the Holding Company's accounts :
 - (i) for the financial year ended on 31-3-2009 : Rs. (99,281)
 - (ii) for the previous financial years : NIL

ANNEXURE II

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

Sl. No.	Name & Designation	Qualification	Age	Gross Remuneration	Date of Commencement	Total Experience	Last Employment	Share holding
I *	Shailesh Siroya Managing Director	MBA	43	Rs. 36,00,000	01.08.1994	17 years	Business	6.40%

*Mr.Shailesh Siroya is relative of Mr Shrenik Siroya, Non- Executive Director of the Company.

***Remuneration includes all costs incurred by the Company on the respective personnel i.e. basic salary & Allowances etc.

For and on behalf of the Board of Directors

**Bangalore
27th July, 2009**

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director



ANNEXURE III

Pursuant to the provisions of Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of Stock Options as on 31st March, 2009 under the “Bal Pharma Limited Employees Stock Option Scheme, 2006” are as under :

Sl.No	Description	Details																																							
1	Options Granted	2,19,500																																							
2	The Pricing Formula	Bal Pharma Limited Employee Stock Option Scheme, 2006 provides for the grant of options as follows: The total number of options granted under ESOP, 2006 shall not exceed 5,22,300 options convertible in to Shares of Rs.10/- each approximately equivalent to 5% of the present issued Equity Share Capital of the Company The Exercise Price per Share shall be 50% of the latest available closing price, previous to the meeting of the Remuneration Committee, in which options are granted, on the Stock Exchange on which Shares of the Company are listed and where there is highest trading volume on the said date.																																							
3	Options vested	43,900 (20% of Options granted)																																							
4	Options Exercised	37,000																																							
5	The total number of shares arising as a result of exercise of option	37,000																																							
6	Options Lapsed	Due to rejection of options granted: 5,000 Due to Termination of employment: 2,500																																							
7	Variation of terms of options	N.A																																							
8	Money realised by exercise of options	Rs. 5,82,750/-																																							
9	Total number of options in force	Nil																																							
10	Employee wise details as on 31 st March, 2009 of options granted and exercised																																								
	(i) Senior managerial personnel	<table border="1"> <thead> <tr> <th>Name</th> <th>Exercise Price (Rs.)</th> <th>No.of options</th> </tr> </thead> <tbody> <tr> <td>Dr.S.Prasanna</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td>Dr.G.S.R.Subba Rao</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td>Mr. Arun Bhan</td> <td>15.75</td> <td>20,000</td> </tr> <tr> <td>Mr.M.Sundar</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Dr.Nagarajan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. Asok Kumar</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Dr.Sivaramakrishnan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. G.K.Srinivasan</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mrs. Archana Dubey Mitra</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr.T.R.Vijaya Kumar</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr.Kotian.C</td> <td>15.75</td> <td>8,000</td> </tr> <tr> <td>Mr. Raju Krishna Ekden</td> <td>15.75</td> <td>8,000</td> </tr> </tbody> </table>	Name	Exercise Price (Rs.)	No.of options	Dr.S.Prasanna	15.75	20,000	Dr.G.S.R.Subba Rao	15.75	20,000	Mr. Arun Bhan	15.75	20,000	Mr.M.Sundar	15.75	8,000	Dr.Nagarajan	15.75	8,000	Mr. Asok Kumar	15.75	8,000	Dr.Sivaramakrishnan	15.75	8,000	Mr. G.K.Srinivasan	15.75	8,000	Mrs. Archana Dubey Mitra	15.75	8,000	Mr.T.R.Vijaya Kumar	15.75	8,000	Mr.Kotian.C	15.75	8,000	Mr. Raju Krishna Ekden	15.75	8,000
Name	Exercise Price (Rs.)	No.of options																																							
Dr.S.Prasanna	15.75	20,000																																							
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Mr. Arun Bhan	15.75	20,000																																							
Mr.M.Sundar	15.75	8,000																																							
Dr.Nagarajan	15.75	8,000																																							
Mr. Asok Kumar	15.75	8,000																																							
Dr.Sivaramakrishnan	15.75	8,000																																							
Mr. G.K.Srinivasan	15.75	8,000																																							
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Mr.Kotian.C	15.75	8,000																																							
Mr. Raju Krishna Ekden	15.75	8,000																																							
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year.	NIL																																							
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding Warrants and conversions) of the Company at the time of grant.	NIL																																							



Sl.No	Description	Details
11	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'.	Rs.2.87 per share
12	The difference between the employee compensation cost computed under Intrinsic Value Method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value Methods and its impact on profits and on EPS of the Company.	Rs. 1,37,800 Rs. 0.01
13	Weighted-average exercise prices and weighted-average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Rs. 15.75
14	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Black Schole Method
	(i) Risk-free interest rate	8%
	(ii) Expected life	60 months
	(iii) Expected volatility	-
	(iv) Expected dividends, and	7.5%
	(v)The price of the underlying share in market at the time of option grant	Rs. 31.45

For and on behalf of the Board of Directors

**Bangalore
27th July, 2009**

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director



REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR, 2008-09

The core values of the Company's Corporate Governance process include Independence, Integrity, Accountability, Transparency, Responsibility and Fairness. The business policies of the Company are based on ethical conduct, health, safety and commitment to sustain long-term business relationship.

This Report on Corporate Governance is pursuant to revised Clause 49 of the Listing Agreement entered in to with the Stock Exchanges and form part of the Report of the Board of Directors. The Company has complied with all applicable requirements of the revised Clause 49 of the Listing Agreement.

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance is driven by the desire towards attainment of the highest level of transparency, accountability and equity, in all facets of operations, and in all its interactions with its stake holders, including Shareholders, employees, the government, lenders and society. The Company believes that, all of its operations and actions must serve the goals of enhancing overall enterprise value and retain shareholders trust over a sustained period of time.

2. BOARD OF DIRECTORS & BOARD COMMITTEES

2.1 Board Meetings

In accordance with the provisions of the revised Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly financial results and other items of the Agenda and if necessary, additional meetings are held. The Board meets at least 4 (four) times in a year and the gap between two Board Meetings is not more than four months as per the revised Clause 49 of the Listing Agreement. The Board is apprised and informed of all the important informations relating to the business of the Company. The Chairman of the Board, the Managing Director and the Company Secretary discuss the items to be included in the Agenda.

The Board comprises of 6 (six) Directors as on 31st March, 2009, with a Managing Director, 1 (one) Whole-time Director, 1 (one) non-executive Director and 3 (three) independent Directors (including one nominee Director from Export Import Bank of India). 50% of the Board comprises of independent Directors as per the revised Clause 49 of the Listing Agreement. During the financial year, 2008-09 under review 5 (five) Board meetings were held on 18-04-2008, 23-06-2008, 30-07-2008, 27-10-2008 and 30-01-2009 Compositions of the Board, attendance of the members of the Board at the Board meetings and Annual General Meeting along with their Chairmanship/Membership on Boards/Committees during the financial year, 2008-09 are as given below:

2.2 Information placed before the Board :

Information placed before the Board of Directors broadly covers the items specified in revised Clause 49 of the Listing Agreement and such other items which are necessary to facilitate meaningful and focused deliberations on issues concerning the Company and taking decisions in an informed and efficient manner. Besides, the Directors on the Board have complete access to all information's as and when necessary.

SI No.	Name of the Director	Category	Attendance at		Total number of Directorships in Boards of Public Limited Companies on the date of this report	Total Number of memberships in Committees of Public Limited Companies on the date of this Report	
			Board Meetings	Last AGM on 23.09.2008		As Chairman	As Member
1	Mr. Shailesh Siroya	Executive	05	Yes	03	-	3
2	Dr. S Prasanna	Executive	05	Yes	02	1	-
3	Mr. Shrenik Siroya	Non-executive	No	No	02	-	3
4	Dr. G S R Subbarao	Independent	05	Yes	01	3	-
5.	Mr. Arun Bhan	Independent	03	No	05	No	1
6.	Mr. David Rasquinha	Nominee Director	05	No	02	No	2

2.3 BOARD COMMITTEES

Currently, the Board has 4 (four) Committees namely viz. (1) Audit Committee, (2) Remuneration Committee (3) Shareholders & Investors Grievance Committee, (4) Banking Transaction Committee. The Board decides the terms of reference of these Committees and the assignment of its Members thereof.



3. AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Boards overall responsibilities, an Audit Committee has been constituted by the Board comprising of 3 (three) Directors, majority of them are Independent Directors including 1 (one) Nominee Director .The Chairman of the Audit Committee is an independent Director. The Company Secretary acts as the Secretary to the Audit Committee. The Audit Committee consists of the following Members;

SI No.	Name of the Member	Category
1.	Dr.G.S.R. Subba Rao, Chairman	Independent Director
2.	Mr. David Rasquinha, Member	Nominee Director
3.	Mr. Shrenik Siroya, Member	Non-executive Director

The primary objective of the Audit Committee is to monitor and provide effective supervision of the Companies Financial Reporting process with a view towards ensuring accurate, timely proper disclosure and the transparency, integrity and quality of financial reporting. The Audit Committee oversee the work carried out in the financial reporting process by our management, the internal auditors and the independent auditors reviews the process and safeguards employed as per the Listing Agreement.

5 (five) Audit committee meetings were held during the financial year, 2008-09, under review and the gap between two meetings did not exceed 4 (four) months. These meetings were held on 18-04-2008, 23-06-2008, 30-07-2008, 27-10-2008, 30-01-2009. The following table gives attendance of the Members in the Audit Committee Meeting:

SI No.	Name of the Member	Number of meetings attended
1	Dr. G S R Subba Rao, Chairman	5
2	Mr. Shrenik Siroya, Member	nil
3	Mr. David Rasquinha , Member	5

The terms of reference of the Audit Committee also cover the matters specified under Section 292A of the Companies Act, 1956;

4. REMUNERATION COMMITTEE AND REMUNERATION TO DIRECTORS:

4.1 Remuneration policy: - The Managerial remuneration to Executive Directors of the Company is paid in terms of all applicable provisions / Schedules of the Companies Act, 1956 and the rules made thereunder;

4.2 Remuneration Committee is functioning with the following members as on 31st March, 2009;

SI No.	Name of the Member	Category
1	Dr.G.S.R Subba Rao, Chairman	Independent Director
2	Mr.Arun Bhan, Member	Independent Director
3	Mr. Shrenik Siroya, Member	Non-Executive Director

4.3 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Committee also functions as 'Remuneration Committee' under Schedule XIII of the Companies Act, 1956;

4.4 The Remuneration Committee was also authorised to function as 'Compensation Committee' under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

4.5 The remuneration paid to Mr. Shailesh Siroya, Managing Director, Dr. Prasanna, Whole-time Director and sitting fee paid to Non-executive Director & independent Directors during the financial Year 2008-09 are as under:

SI No	Particulars	Mr. Shailesh Siroya	Dr. S Prasanna	Mr. Shrenik Siroya	Dr. G S R Subba Rao	Mr. Arun Bhan	Mr. David Rasquinha
1	Salary & Perquisites	36,00,000	19,20,000	N.A	N.A.	N.A.	N.A.
2	Sitting Fees	N.A.	N.A.	22,000	31,000	2,000	10,000
	Total	36,00,000	19,20,000	22,000	31,000	2,000	10,000

**5. SHAREHOLDERS' AND INVESTORS' GRIEVANCES COMMITTEE:**

5.1 The Committee consists of the following members of the Board.

SI No.	Name of the Member	Category
1	Dr. G S R Subba Rao, Chairman	Independent Director
2	Mr Shrenik Siroya, Member	Non Executive Director
3	Mr. Shailesh Siroya, Member	Managing Director

5.2 The terms of reference of the Committee cover the matters specified under revised Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Ltd;

5.3 The Committee regularly meets every fortnight to dispose of the matters under its reference;

5.4 Name and designation of the Compliance Officer: Mr. S.Ramji, Company Secretary;

5.5 Investor complaints handled:

Year	Pending balance as on 01.04.2008	Received	Resoived	Pending As on 31.03.2009
2008-09	NIL	115	115	NIL

6. OTHER COMMITTEES:**6.1 BANKING TRANSACTIONS COMMITTEE**

Considering the size and the continuous growth of both the Company and its banking transactions, a Sub-Committee of Board, named Banking Transactions Committee was constituted on 30th April, 2006 for approving specific banking transactions, illustrated below:

- To review periodically the banking transactions of the Company;
- To open new bank accounts for the business purposes of the Company, wherever required;
- To close bank accounts of the Company, where required;
- To change signatories to the bank accounts of the Company, where required;
- To borrow funds from various Banks and financial institutions, not exceeding Rs. 50, 00,000/- (Rupees Fifty Lakhs only) for purchase of immovable assets like motor vehicles and utilities and to create charge on these assets;

The Committee comprises Mr. Shailesh Siroya, Managing Director and Dr. S. Prasanna, Whole-time Director.

7. GENERAL BODY MEETINGS:

7.1 The last 3 Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2005-06	20.09.2006	11.30 AM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2006-07	20-09-2007	4.00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
2007-08	23-09-2008	4.00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.

7.2 The Special Resolutions passed by the Company in its 19th, 20th and 21st Annual General Meeting(s) held on 20-09-2006, 20-09-2007, 23-09-2008 are as under ;

Date of AGM	AGM No.	Business Transacted by Special Resolution
20-09-2006	19	1) Revision in remuneration of Mr. Shailesh Siroya, Managing Director. 2) Revision in remuneration of Dr.S. Prasanna, whole time Director.
20-09-2007	20	NIL
23-09-2008	21	Revision in remuneration of Dr.S. Prasanna, whole time Director



08. POSTAL BALLOT – The Company has not passed any resolution by way of Postal Ballot during the financial year 2008-09;

09. DISCLOSURES:

Messers Desa Marketing International, Bangalore, under an agreement with the Company, provides service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya, Managing Director, is interested in the said agreement which has already got approval from the Central Govt. under Section 297 (1) of the Companies Act, 1956 and this Agreement has been revised w-e-f 07.06.2008 for a further period of 3 (three) years (up to 31-03-2011).

10. MEANS OF COMMUNICATIONS:

Unaudited quarterly/half yearly financial results are published in widely circulating national and regional (Kannada) dailies. Press release on the highlights of the quarterly/half yearly results is also given. These are, however, not sent individually to the Shareholders. The results are also promptly forwarded to Bombay Stock Exchange Ltd (BSE)., and National Stock Exchange of India Ltd (NSE), wherein the Shares are listed. During the financial year, the Company has not made any presentation to the institutional investors or analysts.

11. GENERAL SHAREHOLDER INFORMATION:

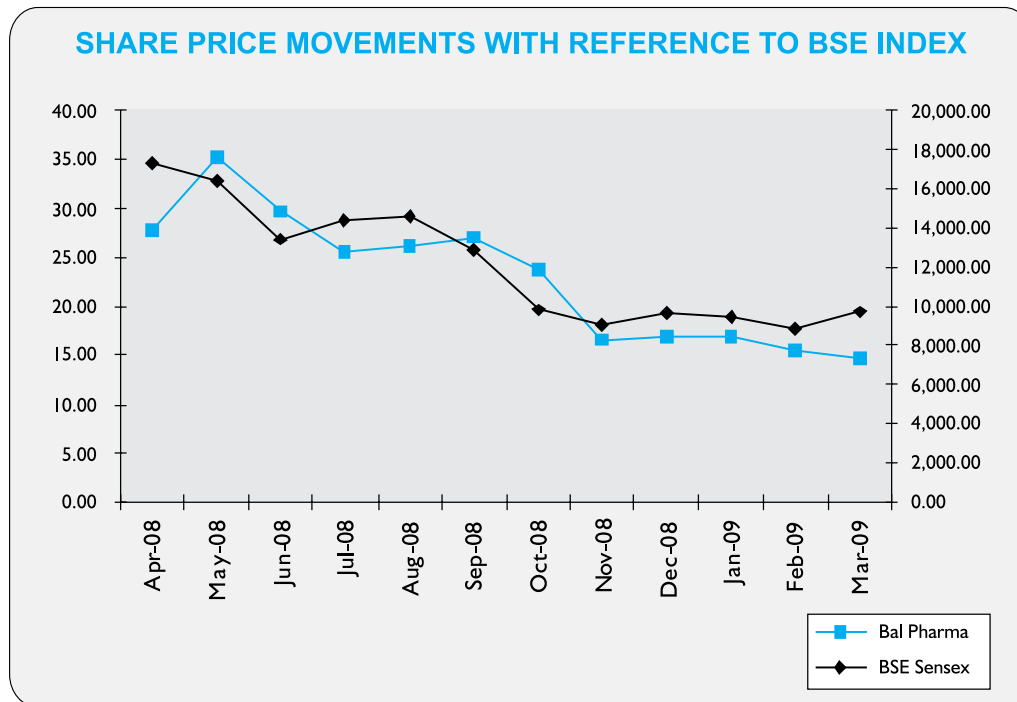
SI No.	Item	Particulars
1	Date of Incorporation	May 19, 1987
2	Date and Time of Annual General Meeting	At 10.30 AM on 25-09-2009
3	Venue of Annual General Meeting	Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.
4	Date of Book Closure	22nd Sept. 2009 to 25th Sept.2009 (Both days inclusive)
5	Financial Calendar	1st April 2009 - 31st March 2010
6	Financial reporting for the first quarter ended on 30-06-2009	Last week of July 2009
7	Financial reporting for the second quarter ended on 30-09-2009	Last week of October 2009
8	Financial reporting for the third quarter ended 31-12-2009	Last week of January 2010
9	Financial reporting for the year ended on 31-03-2010	Last week of April, 2010
10	Listing on Stock Exchanges	Bombay Stock Exchange Ltd., (BSE) National Stock Exchange of India Ltd., (NSE)
11	Stock Code	BSE Scrip Code - 524824 NSE symbol – BALPHARMA
12	ISIN Number	INE083D01012
13	Dividend payment date	On or before 24 - 10-2009
14	Outstanding GDR/ADR Warrants	Not Applicable

12. MARKET PRICE DATA:

Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd., during 2008-09 are as under:

Month	High (Rs)	Low (Rs)	Trade Volume
April 2008	40.70	26.60	13,148,400.00
May 2008	35.90	28.35	2,647,975.00
June 2008	35.40	26.00	5,070,262.00
July 2008	28.00	22.65	2,258,731.00
August 2008	29.90	25.55	1,393,911.00
September 2008	29.75	21.95	1,334,033.00
October 2008	24.90	14.90	1,726,789.00
November 2008	19.35	14.15	549,289.00
December 2008	19.19	13.96	488,351.00
January 2009	19.60	15.00	650,329.00
February 2009	17.65	14.75	402,855.00
March 2009	15.65	13.15	411,873.00

* Share price movements with reference to BSE Index



12.1 DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. EBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009.

As per the above mentioned Circular, Clause 5A stands for shares issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the Escrow Account and any unclaimed benefits like Dividend, Bonus Shares etc., which are to be credited to the De-mat Suspense Account. This being the first year after the circular coming into force from April 2009, your Company is taking steps to streamline the requirements.

13. SHARE TRANSFER SYSTEM:

13.1 Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Demat Requests are processed within 21 days from the date of electronic request. The Shareholders and Investors Grievances Committee whose terms of reference includes approving transfer of shares meets every fortnight. Besides, the Company also engages a Practising Company Secretary to carry out periodical audits. Periodically, audits are being carried out at the office of the Share Transfer Agents by independent Practising Company Secretary and requisite Certificates/Reports are obtained and furnished to the Exchanges.

13.2 Registrars & Share Transfer Agents:

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20 Dr.E. Moses Road, Mahalaxmi,
Mumbai -400012.
Phone:-91-22-66568484 : Fax :-91-22-66568494
Email: - csg-unit@tsrdarashaw.com

Shareholders can also contact the branch offices/Agencies of TSR Darashaw Limited whose addresses are given below:

- i. TSR Darashaw Limited, 503, Barton Centre, 84, MG Road, Bangalore – 560 001, Tel: 080-25580019/25320321, Fax: 080-25580019, Email: tsrdlbg@tsrdarashaw.com
- ii. TSR Darashaw Limited, Bungalow No: I E Road, Northern Town, Bistupur, Jamshedpur – 831001, Tel: 0657-2426616, Fax: 0657-2426937, Email: tsrdljsr@tsrdarashaw.com



- iii TSR Darashaw Limited, Tata Centre, 1st floor, 43, Jawaharlal Nehru Road, Kolkata – 700071. Tel: 033- 22883087, Fax: 033-22883062, Email: tsrdlcal@tsrdarashaw.com
- iv TSR Darashaw Limited, Plot No. 2/42, Santvihar, Ansari Road, Daryaganj, New Delhi-110002. Tel: 011-23271805. Fax: 011-23271802, Email : tsrdldel@tsrdarashaw.com
- Agent: Shah Consultancy Services Ltd, Sumatinath Complex, 2nd Dhal, Pritam Nagar, Ellisbridge, Ashram Road, Ahmedabad – 380006, Telefax: 079 – 26576038, Email ID: shahconsultancy8154@gmail.com

13.3 Statistics under Physical Transfer during the period 01.04.2008 to 31.03.2009

SI No.	Process Period	No. of Transfers	% to total Transfers	No. of Shares
1	01 -07 days	7	36.84%	600687
2	08 - 15 days	12	63.16%	11600
3	16 – 21 days	---	---	---
4	22 - 25 days	---	---	---
5	26 - 30 days	---	---	---
6	Beyond 30 days	---	---	---
TOTAL		19	100 %	612287

14. DISTRIBUTION OF SHAREHOLDINGS:

DISTRIBUTION OF SHAREHOLDINGS AS ON 31.03.2009

SI. No.	No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1	1 TO 500	7145	85.24	1,128,478	10.76
2	501 TO 1000	651	7.77	540,049	5.15
3	1001 TO 2000	289	3.45	449,097	4.28
4	2001 TO 3000	97	1.16	250,375	2.39
5	3001 TO 4000	51	0.61	184,785	1.76
6	4001 TO 5000	36	0.43	174,097	1.66
7	5001 TO 10000	58	0.69	434,109	4.14
8	ABOVE 10000	55	0.65	7,322,234	69.86
TOTAL		8382	100	10,483,224	100

15. CATEGORIES OF SHAREHOLDING:

Distribution Schedule – category wise as on 31.03.2009

SI. No	Category	No. of Shareholders	No. of Shares held	% of Shareholding
1.	FII	Nil	Nil	0.00
2.	Non-Resident	56	802,986	7.66
3.	Other Banks	01	1,800	0.02
4.	Mutual Fund	01	200	0.00
5.	Bodies Corporate	207	509,031	4.86
6.	Promoters, Directors & Relatives	33	5,421,638	51.72
7.	Indian Public	8084	3,747,569	35.74
Grand Total		8,382	10,483,224	100

16. DEMATERIALISATION OF SHARES AND LIQUIDITY:

The Company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the Company’s shares. The ISIN number allotted for the Company is INE 083D01012.

**17. DEMAT PROCESSING SYSTEM:**

Demat Processed during the period 01.04.2008 to 31.03.2009

SI No.	Process Period	No. of Demat Requests	% to total Requests	No. of Shares
1	1 - 7 days	23	53.49	2760
2	8 - 10 days	20	46.51	7720
3	11 - 15 days	---	---	---
4	16 - 20 days	---	---	---
5	21 - 25 days	---	---	---
6	26 - 30 days	---	---	---
7	Beyond 30 days	---	---	---
	Total	43	100%	10480

18. DETAILS OF DEMAT THROUGH THE DEPOSITORIES:

Holding break up in NSDL and CDSL as on 31.03.2009

Depository Name	Number of Shareholders	No. of Shares Dematerialised	% to total Holding
NSDL	4801	6892583	65.75
CDSL	1731	1429840	13.64
TOTAL	6532	8322423	79.39

19. EMPLOYEES ACCESS TO AUDIT COMMITTEE (WHISTLE BLOWER POLICY)

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. As per the requirement of revised Clause 49 of the Listing Agreement, the Company has issued a circular informing the employees about their right to access Audit Committee for the purpose of bringing to the Committee's notice unethical or improper practices in the Company. The Company affirms that no employee has been denied access to the Audit Committee. The Directors and management personnel are obliged to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

20. NON MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT

(1) (a) Non Executive Chairman (b) Tenure of Independent Directors	The Company has no Non-Executive Chairman None of the Independent Directors are on Board for more than 9 years on date.
(2) Remuneration Committee	The Board constituted a Remuneration Committee; a Sub-Committee of the Board.
(3) Audit qualifications	The statutory financial statements of the Company are unqualified.
(4) Whistle Blower Policy	A Whistle blower policy is in place

The Company is keen and shall be implementing other Non-mandatory requirements in phases in due course.

21. ADDRESS FOR CORRESPONDENCE:

Mr. S. Ramji, Company Secretary & Compliance Officer,

Bal Pharma Limited,

Corporate Office:

5th Floor, 'Laxmi Narayan Complex', 10/1, Palace Road, Bangalore – 560052

Tel: 080 - 41379500 Fax: 080 - 22354057

E-mail: secretarial@balpharma.com. investor@balpharma.com



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the Members of Bal Pharma Limited

- 1) I have examined the compliance of the conditions of Corporate Governance by Bal Pharma Limited for the year ended, 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange, Mumbai.
- 2) The compliance of conditions of the Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.
- 3) In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- 4) I state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.
- 5) I state that in respect of investors' grievances received during the year ended 31st March, 2009, no investor grievances are pending against the Company as on 31st March, 2009 as per the records maintained by the Company and presented to the Shareholders and Investors Grievances Committee.

Bangalore
30th July, 2009

Vijaykrishna K.T.
Practising Company Secretary
F.C.S - 1788 ; CP - 980



TO THE MEMBERS OF M/s. BAL PHARMA LIMITED

We have audited the attached Balance Sheet of Bal Pharma Limited as at 31 March 2009, the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
- (v) On the basis of the written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon and attached thereto and subject to Note no.13

regarding non-confirmation of balances in parties accounts and pending review of old balances, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31 March 2009;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ostawal & Jain**
Chartered Accountants

Bangalore
Date: 29th June 2009

Sd/-
T. D. JAIN
Partner
M.M.No: 12034

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of Bal Pharma Limited for the year ended 31 March 2009:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and we have been informed that no material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The stock of inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of stocks as compared to book records were not material; however, the same has been properly dealt with in the books of account.
3. (a) As per the records of the Company, it had granted interest free unsecured loan to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has granted interest free unsecured advance to its Subsidiary companies. The maximum amount involved Rs. 64, 62,755/- and the year end balance of loan was Rs. 64, 62,755/-.
- (b) Based on the information received and the explanations given, the terms and conditions of the advance are prima facie not prejudicial to the interest of the Company



- (c) As informed to us, no repayment was due during the year.
- (d) As per records of the Company, it has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub-clauses (f) and (g) of clause 4(iii) of the order is not applicable.
4. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.
5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central government for maintenance of cost records under Section 209(1) (d) of the Act; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determining whether they are accurate and complete.
9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure I to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. Accordingly to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable
15. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. According to the information and explanations given to us, and on an overall examination of balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Ostawal & Jain
Chartered Accountants

Sd/-

T. D. JAIN
Partner

M.M.No: 12034

Bangalore
Date: 29th June 2009



Annexure I as referred to para 9 of annexure to the auditor's report

Name of the Statute	Nature of dues	Amount in Rs.	Period to which Amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Central Excise Duty and penalty	8,68,598	2000-01	Customs, Excise, Service Tax Appellate, Mumbai
The Kerala General sales Tax Act, 1963	Local Sales Tax	7,49,720	2002-03	The Deputy Commissioner (Appeals), Ernakulam
The Central Excise Act, 1944	Central Excise Duty	10,34,757	1996-97	Supreme court of India
The Central Excise Act, 1944	Central Excise Duty	8,98,929	1997-98	Supreme court of India

On the Consolidated Financial statements of M/s. BAL PHARMA LTD., and its subsidiaries

We have examined the attached Consolidated Balance Sheet of M/s. Bal Pharma Ltd., ("the Company") and its subsidiaries (collectively referred to as the "Bal Pharma's Group") as at 31 March 2009 and also the Consolidated profit and loss account and Consolidated cash flow statement for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) '21-consolidated financial statements', issued by the Institute of Chartered Accountants Of India and on the basis of the separate audited financial statements of M/s. Bal Pharma Ltd., and

its Subsidiary M/s. Novosynth Research Labs Pvt Ltd, Basav Chem Ltd included in the consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s. Bal Pharma Ltd., and its aforesaid subsidiaries, the Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance sheet of the consolidated state of affairs of Bal Pharma's Group as at 31 March 2009;
- (ii) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Bal Pharma's Group for the year ended on that date; and
- (iii) in the case of Consolidated Cash Flow Statement, of the Consolidated cash flows of Bal Pharma's Group for the year ended on that date.

For Ostawal & Jain
Chartered Accountants

Bangalore
Date: 29th June 2009

Sd/-
T. D. JAIN
Partner
M.M.No: 12034



BALANCE SHEET AS AT 31.03.2009

	SCH	AS AT 31.03.2009		AS AT 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,832,240		104,462,240	
b. Reserves & Surplus	2	269,310,145	374,142,385	247,558,059	352,020,299
II. LOAN FUNDS					
a. Secured Loans	3	463,390,933		419,848,890	
b. Unsecured Loans	4	8,292,182	471,683,115	31,650,000	451,498,890
III. DEFERRED TAX LIABILITY (NET)					
	5		57,147,344		49,324,663
TOTAL			902,972,844		852,843,852
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	6	663,911,101		363,648,835	
b. Less: Accumulated Depreciation		118,821,898		101,175,038	
c. Net Block		545,089,203		262,473,797	
d. Capital Work in Progress		3,987,740	549,076,943	192,522,525	454,996,322
II. INVESTMENTS					
	7		896,000		896,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	8	238,861,362		254,500,142	
b. Sundry Debtors		292,858,622		233,375,405	
c. Cash & Bank Balances		13,198,431		28,999,746	
d. Loans & Advances		72,516,877		70,848,987	
Total (A)		617,435,292		587,724,280	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	9	290,135,833		206,247,585	
b. Provisions		23,363,348		30,512,541	
Total (B)		313,499,181		236,760,126	
NET CURRENT ASSETS (A-B)			303,936,111		350,964,154
IV. INTANGIBLE ASSETS					
Gross Carrying Amount	10	82,723,689		73,990,185	
Less: Cumulative Amortisation & impairment loss		33,659,899		28,002,809	
Net Carrying Amount			49,063,790		45,987,376
TOTAL			902,972,844		852,843,852
NOTES ON ACCOUNTS	20				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
29.06.2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

Particulars	SCH	Year Ended 31.03.2009		Year Ended 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Sales & Services	11	1,065,543,117		903,455,923	
Less : Excise Duty		30,765,346	1,034,777,771	46,105,817	857,350,106
Other Income	12		1,164,627		3,459,867
			1,035,942,398		860,809,973
II. EXPENDITURE					
Cost of Materials Consumed	13	532,067,548		428,695,708	
Manufacturing Expenses	14	47,675,936		44,881,111	
Employees Remuneration & Benefits	15	102,132,216		79,703,922	
Selling & Distribution Expenses	16	195,146,762		156,510,524	
Administration Expenses	17	46,852,434		58,279,760	
Financial Expenses	18	47,120,796		33,666,240	
Amortization of Intangible Assets	19	5,657,090		4,455,402	
Depreciation	6	18,341,061	994,993,843	15,817,715	822,010,382
III. Profit for the year			40,948,555		38,799,591
Add/(Less) : Prior Year Adjustment			(411,280)		1,655,970
IV. Profit Before Income Tax			40,537,275		40,455,561
Provision for Income Tax - Current Year			1,628,385		7,379,258
Provision for wealth tax			40,613		28,266
(Excess) / Short Provision for Tax - Earlier Years			(1,318,398)		182,120
Deferred Tax (As Per AS 22)			7,822,681		3,077,446
Fringe Benefit Tax			2,336,116		1,857,064
V. Profit After Tax			30,027,878		27,931,407
VI. Balance Brought Forward From Previous Year			73,534,953		57,825,106
			103,562,831		85,756,513
VII. Appropriations					
Proposed Dividend:					
- Equity Shares		7,862,418		10,446,224	
Provision for Corporate Tax on Dividend					
- Equity Shares		1,336,218	9,198,636	1,775,336	12,221,560
VIII. Balance Carried to Balance Sheet			94,364,195		73,534,953
EARNINGS PER SHARE					
Basic EPS			2.87		2.67
Diluted EPS			2.87		2.60
No: of Equity Shares			10,483,224		10,446,224
NOTES ON ACCOUNTS	20				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
29.06.2009

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009**

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - I				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (P Y 11,000,000) Equity Shares of Rs 10 each	110,000,000		110,000,000	
400,000 (P Y 400,000) Redeemable Preference Shares of Rs 100 each	40,000,000	150,000,000	40,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,483,224(P Y 10,446,224) Equity Shares of Rs 10 each fully paid		104,832,240		104,462,240
		104,832,240		104,462,240
Note:				
1. 3,040,000(P.Y 3,040,000) equity shares of Rs. 10/- each have been issued as Bonus Shares by capitalisation of reserves				
2. 37,000 (P.Y NIL)equity shares of Rs.10/-each have been allotted to the eligible employees of the Company on exercise of the vested stock options in accordance with the terms of the 'Bal Pharma Limited ESOP 2006'. (Refer note 16, Schedule 20)				
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve		3,000,000		3,000,000
2. Share Premium				
Opening Balance	144,720,350			
Add: Premium on exercise of Employee Stock Options.	917,600	145,637,950		144,720,350
3. General Reserve		24,015,000		24,015,000
4 Employee Stock options outstanding				
Balance at the beginning	4,038,600		-	
Add : Options granted			4,181,475	
Less: Transferred to securities premium account on exercise of options	704,850		-	
Less : Options forfeited/surrendered	(40,005)		(142,875)	
Balance at end of the Year (A)	3,293,745		4,038,600	
Deferred stock compensation cost				
Balance at the beginning	1,750,844		-	
Add : Options granted	-		4,181,475	
Less : Options forfeited/surrendered	(40,005)		(142,875)	
Less : Amorzaton	(710,094)		(2,287,756)	
Balance at end of the Year (B)	1,000,745		1,750,844	
		2,293,000	-	2,287,756
5. P & L Account -Surplus				
Opening Balance	73,534,953		57,825,106	
Add: Surplus for the year	20,829,242	94,364,195	15,709,847	73,534,953
		269,310,145		247,558,059
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
AXIS Bank	1,433,132		8,119,690	
EXIM Bank	189,660,800		185,000,000	
State Bank of Indore	17,398,455		23,398,455	
Others	5,545,977	214,038,364	3,180,288	219,698,433
WORKING CAPITAL LOAN				
Canara Bank	92,594,271		60,837,106	
Exim Bank	14,100,334		17,948,850	
Punjab National Bank	88,691,617		70,635,181	
ICICI Bank Ltd.,	53,966,347	249,352,569	50,729,320	200,150,457
		463,390,933		419,848,890



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009 (Contd...)

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 4				
UNSECURED LOANS				
State Bank of Hyderabad		-		29,170,000
Trade finance-PNB, Hongkong		6,169,002		-
Department of Scientific and industrial Research		2,123,180		2,480,000
		<u>8,292,182</u>		<u>31,650,000</u>
SCHEDULE - 5				
DEFERRED TAX LIABILITY				
Opening Balance		49,324,663		46,247,217
Add: Liability created for the year		7,822,681		3,077,446
		<u>57,147,344</u>		<u>49,324,663</u>

SCHEDULE 6

FIXED ASSETS AS ON 31.03.2009

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions	Deletions	AS AT 31.03.2009	AS AT 01.04.2008	For the Year	Deletions	AS AT 31.03.2009	AS AT 31.03.2009	AS AT 31.03.2008
Land	27,294,623	14,214,542	-	41,509,165	0	-	-	-	41,509,165	27,294,623
Building	91,348,128	108,514,704	-	199,862,832	19,716,665	3,908,530	2,975,299	23,625,195	176,237,637	71,631,463
Plant & Machinery	73,905,101	120,109,999	-	194,015,100	27,642,117	4,937,377	-	32,579,494	161,435,606	46,262,984
Utilities	70,006,464	35,772,907	-	105,779,371	20,893,379	3,859,148	-	24,752,527	81,026,844	49,202,555
Furniture & Fixtures	13,491,311	1,125,535	-	14,616,846	4,254,736	903,516	-	5,158,252	9,458,594	9,236,575
Misc Fixed Assets	74,715,919	16,288,639	12,189	90,992,369	23,789,324	3,179,371	351	26,968,344	64,024,025	50,837,125
Vehicles	12,887,289	6,350,582	2,102,453	17,135,418	4,878,817	1,553,119	693,850	5,738,086	11,397,332	8,008,472
Total	363,648,835	302,376,908	2,114,642	663,911,101	101,175,038	18,341,061	694,201	118,821,898	545,089,203	262,473,797
Previous Year	346,191,406	18,055,670	598,241	363,648,835	85,571,976	15,817,715	214,653	101,175,038	262,473,797	260,619,430
Capital Work-in Progress									3,987,740	192,522,525

Note : I. Additions include an amount of Rs. Nil (P.Y. 2,794,484/-) (Rs. 10,272,248 for the year 2006-07) (Rs. 7628463 for the year 2005-06) (Rs 3521556/- for the year 2004-05) incurred during the year on R & D of new products and process in In-House R & D Centre. These additions have been capitalised and depreciated in accordance with the depreciation policy of the Company.

SCHEDULE - 7
INVESTMENTS

QUOTED :

Non Trade :(at Cost) (Market Value as on 31.03.2008 not available)

(i) Lamina Foundries Limited

10,000 (P.Y. 10,000) Equity Shares of Rs. 10 each fully paid

(ii) Sri Jayalakshmi Autospin Limited

73,600 (P.Y. 73,600) Equity Shares of Rs. 10 each fully paid

Less: Provision for diminution in value

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
		371,850		371,850
		736,000		736,000
		<u>(1,107,850)</u>		<u>(1,107,850)</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009 (Contd...)**

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
UN QUOTED :				
Trade :				
In Subsidiary Company		346,000		346,000
Novosynth Research Labs Pvt. Ltd., (346 Equity Shares(PY 346) of Rs .1000 each fully paid)				
Basav Chem Limited (100,000 Equity Shares (PY-NIL) of Rs .10 each fully paid)		500,000		500,000
Non Trade :				
EQUITY SHARES of The Shamrao Vithal Co- Operative Bank Ltd., (5,000 Shares(PY 5,000) of Rs. 10 each fully paid)		50,000		50,000
		896,000		896,000
SCHEDULE- 8				
CURRENT ASSETS, LOANS & ADVANCES				
1. INVENTORIES				
(As valued & certified by the Management)				
Raw Materials	78,991,015		82,853,951	
Packing Materials	14,635,467		17,291,457	
Work in Progress	50,193,765		55,653,735	
Finished Goods	94,005,657		97,431,481	
Stores & Consumables	1,035,458	238,861,362	1,269,518	254,500,142
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	55,148,859		53,754,231	
Other Debts	237,709,763	292,858,622	179,621,174	233,375,405
3. CASH & BANK BALANCES				
Cash in Hand	269,279		254,583	
Balance with Scheduled Banks:				
- In EEFC	852,333		62,841	
- In Fixed Deposit	11,630,591		21,512,327	
- in Current Account	446,228	13,198,431	7,169,995	28,999,746
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	17,229,787		21,730,329	
Deposit with Govt. dept. & Others	30,655,908		27,481,832	
Advance Income Tax & TDS	11,643,250		10,988,277	
Advance to suppliers	6,166,124		3,719,987	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	10,725		10,725	
Advance to Subsidiary Companies	6,462,755		6,462,155	
Interest Accrued but not due on deposits	345,328	72,516,877	452,681	70,848,987
		617,435,292		587,724,280
SCHEDULE- 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to medium and small enterprises(Refer notes SI No 26)		-		-
- Other Dues	164,167,683		126,693,916	
Capital Creditors	17,434,076		13,360,581	
Creditors for Expenses	44,236,325		29,302,226	



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009 (Contd...)

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
Advances from customers	27,166,447		14,021,159	
Dues to Subsidiaries	817,121		734,964	
Other Current Liabilities	27,231,836		14,056,656	
Deposits received from customers	8,021,954		7,181,040	
Unclaimed Rights Issue Application Money	141,750		141,750	
Unclaimed Dividends- Equity (Refer Notes SI No 26)	918,641	290,135,833	755,293	206,247,585
PROVISIONS				
Gratuity	7,435,580		5,632,114	
Provision for Tax	4,393,016		10,801,803	
Provision for Fringe Benefit Tax	2,336,116		1,857,064	
Dividend Payable(Equity Shares)	7,862,418		10,446,224	
Corporate Tax on Dividend Payable: Equity Shares	1,336,218	23,363,348	1,775,336	30,512,541
		313,499,181		236,760,126

SCHEDULE 10

INTANGIBLE ASSETS AS ON 31.03.2009

INTANGIBLE ASSETS	Gross Carrying Amount				Cumulative Amortization			Net Carrying amount		
	As on 01.04.2008	Additions	Gross carrying amount adjustments	Aa at 31.03.2009	As on 01.04.2008	Amor-tization during the year	Retire-ment/ Disposal adjust-ments	As at 31.03.2009	as at 31.03.2009	As at 31.03.2008
R & D expenses	62,299,713	8,733,504	-	71,033,217	17,686,272	5,428,106		23,114,378	47,918,839	44,613,441
Development expenditure	11,690,472	-	-	11,690,472	10,316,537	228,984	-	10,545,521	1,144,951	1,373,935
Total	73,990,185	8,733,504	-	82,723,689	28,002,809	5,657,090	-	33,659,899	49,063,790	45,987,376
Previous Year	66,327,503	7,662,682		73,990,185	23,547,407	4,455,402		28,002,809	45,987,376	42,780,096

SCHEDULE 10A

RESEARCH AND DEVELOPMENT EXPENSES

REVENUE EXPENSES FOR LAST 5 YEARS*

PARTICULARS	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005
Raw material consumed	1,510,421	2045900	1178771	1558284	2836134
Fuel & power	1,125,489	1132202	1137629	1081969	737421
Water Chares	82,450	78828	76210	94926	82333
Laboratory Expenses	3,140,974	1167165	1023406	1561959	421045
Salaries, wages and other allowances	2,460,926	2817264	2730218	1995886	3667001
Others	413,244	421323	387567	400907	969133
	8,733,504	7662682	6533801	6693931	8713067

*Note : Revenue Expenses on Research and Development for last 5 years have been given as required by the Department of Scientific and Industrial Research, Government of India.

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

	2008-2009		2007-2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 11				
INCOME FROM SALES & SERVICES				
Exports:				
Sales	368,465,586		328,185,208	
Incentives	6,563,942		9,041,837	
	<u>375,029,528</u>		<u>337,227,045</u>	
Domestic Sales	725,861,412		566,774,229	
	<u>1,100,890,940</u>		<u>904,001,274</u>	
Less: Goods Returns	42,999,917	1,057,891,023	10,142,497	893,858,777
Conversion charges		7,652,094		9,597,146
		<u>1,065,543,117</u>		<u>903,455,923</u>
SCHEDULE - 12				
OTHER INCOME				
Interest -				
Bank		1,080,398		1,095,513
Others		-		89,126
Dividend Income		8,888		7,110
Foreign exchange fluctuation (Net)		-		653,602
Misc. Income		6,976		24,465
Provisions / Creditors no longer payable written back		68,366		1,590,051
		<u>1,164,627</u>		<u>3,459,867</u>
SCHEDULE- 13				
COST OF MATERIALS CONSUMED				
Opening Stock	82,853,951		63,351,938	
Add : Purchases	369,453,146		314,739,862	
Less : Closing Stock	78,991,015	373,316,082	82,853,951	295,237,849
PACKING MATERIALS				
Opening Stock	17,291,457		21,468,043	
Add : Purchases	46,064,651		36,723,416	
Less : Closing Stock	14,635,467	48,720,641	17,291,457	40,900,002
WORK IN PROGRESS				
Opening Stock	55,653,735		37,076,051	
Closing Stock	50,193,765	5,459,970	55,653,735	(18,577,684)
FINISHED GOODS				
Opening Stock	97,431,481		116,499,516	
Less: Closing Stock	94,005,657	3,425,824	97,431,481	19,068,035
PURCHASE OF TRADED GOODS				
		101,145,031		92,067,506
		<u>532,067,548</u>		<u>428,695,708</u>
SCHEDULE - 14				
MANUFACTURING EXPENSES				
Consumables and Stores-opening stock	1,269,518		462,487	
Add : Purchases	8,384,693		9,079,581	
Less : Closing Stock	1,035,458	8,618,753	1,269,518	8,272,550

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

	2008-2009		2007-2008	
	Rs.	Rs.	Rs.	Rs.
Power & Fuel	19,470,973		15,865,849	
Water Charges	1,090,004		1,024,384	
Laboratory and Testing	5,375,265		2,893,724	
Labour charges paid	4,782,349		8,427,035	28,210,992
Repairs & Maintenance:		30,718,591		
Building	41,254		137,281	
Machinery	3,575,707		3,326,745	
Others	4,721,631	8,338,592	4,933,543	8,397,569
		47,675,936		44,881,111
SCHEDULE - 15				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries Wages & Allowances		76,557,537		58,145,527
Bonus & Exgratia		3,284,876		2,561,899
PF & E.S.I Contributions		6,961,730		5,898,950
Employees Welfare		6,137,197		3,988,807
Recruitment & Training		1,157,316		967,650
Gratuity		1,803,466		-
Amortization of deferred stock compensation cost		710,094		2,287,756
Remuneration to Directors		5,520,000		5,853,333
		102,132,216		79,703,922
SCHEDULE - 16				
SELLING & DISTRIBUTION EXPENSES				
Advertisement		2,260,355		2,551,756
Seminar, Conference & Exhibition Expenses		2,925,755		5,395,814
Freight & Handling Charges on Export Sales		15,980,426		15,785,085
Commission on Sales		4,896,422		10,648,013
Field Staff Salaries & Incentives		68,902,125		49,131,569
Field Staff Travelling Expenses		37,261,036		28,480,313
Freight Outwards & Others		8,741,193		5,714,036
Breakages & Expired Goods		7,761,790		9,610,582
Other Selling Expenses		30,633,215		11,588,043
Sales Promotional Items		15,784,445		17,605,313
		195,146,762		156,510,524
SCHEDULE - 17				
ADMINISTRATION EXPENSES				
Travelling expenses - Inland				
- Directors	427,375		393,516	
- Others	4,388,769		4,258,226	
Travelling expenses - Foreign				
- Directors	566,754		1,409,648	
- Others	2,694,781	8,077,679	1,840,980	7,902,370
Repairs and Maintenance - Office	1,876,063		2,161,450	
Rates & Taxes	829,463		4,029,059	
Conveyance	3,257,862		2,425,627	
Postage, Telegram & Telephone	3,787,144		3,755,069	

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

	2008-2009		2007-2008	
	Rs.	Rs.	Rs.	Rs.
Legal & Professional charges	5,181,582		6,221,423	
Printing & Stationery	3,782,416		5,333,932	
Insurance	2,375,900		4,228,438	
Rent	7,655,948		4,141,937	
Donations	14,401		30,442	
Directors Sitting fees	65,000		68,000	
Electricity Charges	752,729		807,301	
Audit Fees	334,521		389,736	
Bad Debts / Advances written off	2,140,851		9,957,860	
Registration Fees	80,327		1,182,323	
Vehicle Operation and Maintenance	2,442,600		2,465,746	
Foreign exchange fluctuation (Net)	748,638		-	
Loss on Sale of Fixed Assets	177,771		68,588	
Subscription & Membership	1,983,785		625,455	
Diminution in the value of Investment	-		1,107,850	
Miscellaneous Expenses	1,287,754	38,774,755	1,377,154	50,377,390
		<u>46,852,434</u>		58,279,760
SCHEDULE - 18				
FINANCIAL CHARGES				
Interest on Term Loan	7,945,183		3,711,098	
Interest on Working Capital Loan	29,103,721		21,640,747	
Other Interest	2,218,093	39,266,997	1,924,522	27,276,367
Bank Charges		7,853,799		6,389,873
		<u>47,120,796</u>		<u>33,666,240</u>
SCHEDULE - 19				
AMORTISATION OF INTANGIBLE ASSETS				
Development Expenses - Amortized		228,984		652,872
R&D Expenses - Amortized		5,428,106		3,802,530
		<u>5,657,090</u>		<u>4,455,402</u>



SCHEDULE 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2009

A. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

b) USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c) REVENUE RECOGNITION

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Export entitlements under the Duty entitlement Pass Book ('DEPB') and Focus Marketing incentive scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

d) FIXED ASSETS

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

e) DEPRECIATION

Depreciation on fixed assets is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.

f) VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.



The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production overheads
Finished goods (traded)	Actual cost of purchase

g) RETIREMENT BENEFITS

A. Gratuity

In accordance with Indian laws, Bal Pharma Limited and its Subsidiary in India provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company and its Subsidiary. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee’s salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account.

B. Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

h) INVESTMENTS

Investments are either classified as current or long-term based on the management’s intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

i) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

j) EXPENDITURE ON RESEARCH AND DEVELOPMENT

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the Company.

k) LEASES

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

l) INCOME TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.



Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

m) EARNINGS PER SHARE

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

n) EMPLOYEE STOCK OPTION SCHEMES

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

o) PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

p) IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

B. NOTES ON ACCOUNTS

- l) National Savings Certificates have been deposited with Commercial Tax Department.

**2) EXPORT BENEFITS:**

The Company has accounted an amount of Rs. 6,563,942/- (P.Y.Rs. 9,041,837/-) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31.03.2009 is Rs.4, 677,096/- (P.Y. Rs. 9,040,429/-) and the same is reflected under loans and advances.

3) MARKET DEVELOPMENT EXPENSES:

Expenditure incurred on Market development amounting to Rs. 228,984/- (P.Y.Rs. 652,872/-) has been written off during the year. Balance on this account as on 31.03.2009 is Rs. 1,144,951/- (P.Y.Rs. 1373,,935/-).

4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:

An amount of Rs. 8,733,504/- (P.Y. Rs. 7,662,682/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortised over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was Rs. 5,428,106/- (P.Y. Rs 3,802,530/-) The balance on this account as on 31.03.2009 is Rs. 47,918,839/- (P.Y. Rs 44,613,441/-).

5) During the year an amount of Rs. 25,133,403/- (P.Y. Rs. 16,272,990/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

6) The Company has provided for Rs.5,99,217 /- (P.Y.Rs.526, 319/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2009.

7) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:

	31.03.2009 Rs.	31.03.2008 Rs.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	2,903,912	716,458
B. Sec 40a(ia) Disallowances	229,700	50,400
	3,133,612	766,858
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	49,694,009	48,779,455
B. Others	10,586,949	1,312,066
	60,280,958	50,091,521
Net Deferred Tax Liabilities	57,147,344	49,324,663
Charge to Profit & Loss Account	7,822,681	3,077,446

8) CONTINGENT LIABILITIES NOT PROVIDED FOR (in Rupees)

a) Guarantees issued by Company's bankers Rs. 20,936,720/- (P.Y. Rs. 3,077,566/-)

b) Letter of credit Rs. 71,135,406/- (P.Y. Rs 77,524,922/-).

c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 1,434,335/-(P.Y. Rs. 25,133,881/-).

9) CIF VALUE OF IMPORTS: (in Rupees)

	31.03.2009	31.03.2008
Deferred tax Assets recognized for timing differences due to:		
1. Raw Materials	186,572,876	150,863,630
2. Capital Goods (Including spares & components)	4,616,402	2,811,979
	191,189,278	153,675,609

**10) A) EXPENDITURE IN FOREIGN CURRENCY**

	31.03.2009	31.03.2008
a. Raw Materials	2,462,114	2,129,247
b. Registration Fee	1,708,986	343,960
c. Commission on Export sales	2,597,789	409,043
d. Sales Promotion	1,114,997	829,500
	7,883,886	3,711,750

B) EARNINGS IN FOREIGN CURRENCY (in Rupees)

	31.03.2009	31.03.2008
a. FOB Value of Exports	349,531,750	312,719,283

11) Gratuity Plan:

The following table set out the status of the plan as required under AS 15(revised):

Change in defined benefit obligation**(Amount in Rupees)**

	As at 31.03.2009	As at 31.03.2008
Opening defined benefit obligation	8,901,687.00	5,815,487.00
Interest cost	646,197.00	422,863.00
Current Service Cost	2,032,201.00	1,874,900.00
Benefits paid	667,198.00	(354,622.00)
Actuarial losses / (Gain)	(621,556.00)	1,143,059.00
Closing defined benefit obligation	10,291,331.00	8,901,687.00

Change in plan assets

	As at 31.03.2009	As at 31.03.2008
Plan Assets at beginning of the year, at fair value	3,269,573.00	3,358,385.00
Expected Return on plan Assets (estimated)	231,000.00	246,800.00
Contributions	-	-
Benefits settled	(667,198.00)	(354,622.00)
Actuarial gain/(loss) on plan assets	22,376.00	19,010.00
Plan Assets at end of the year, at fair value	2,855,751.00	3,269,573.00

Reconciliation of present value of the obligation and the fair value of the plan assets

	As at 31.03.2009	As at 31.03.2008
Fair Value of plan assets at the end of the year	2,855,751.00	3,269,573.00
Present value of the defined benefit obligation at the end of the year	10,291,331.00	8,901,687.00
Asset/(Liability) recognized in the balance sheet	(7,435,580.00)	(5,632,114.00)

Gratuity cost for the period

	As at 31.03.2009	As at 31.03.2008
Current Service Cost	2,032,201.00	1,874,900.00
Interest Cost	646,197.00	422,863.00
Expected Return on Plan Asset	(231,000.00)	(246,800.00)
Net Actuarial (Gain)/Loss recognized for the year	643,932.00	1,124,049.00
Opening plan assets recognized on 01 April 2008	-	(3,358,385.00)
Expense/(Income) recognized in the statement of P/L account	1,803,466.00	(183,373.00)

**Movements in the Liability recognized in Balance sheet**

	As at 31.03.2009	As at 31.03.2008
Opening Liability	5,632,114.00	5,815,487.00
Expense/income recognized for the period, as above	1,803,466.00	(183,373.00)
Contribution paid	-	-
Closing Liability	7,435,580.00	5,632,114.00

Assumptions at the valuation date

	As at 31.03.2009	As at 31.03.2008
Discount factor	7.00%	7.50%
Salary Escalation rate	5.5%	6.00%
Rate of Return (Expected) on plan Asset	8.00%	8.00%
Retirement age	58	58

12) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET:

- 12.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 12.2 The Working Capital Loan financed by Canara Bank, ICICI Bank, Punjab National Bank, and EXIM Bank under a Consortium arrangement with pari passu charge is secured against hypothecation of stock and book debts and first charge on fixed assets other than those financed by the term lending institutions.
- 12.3 AXIS Bank —Hypothecation of Office Equipments located at Corporate Office, 10/5, Lakshminarayan Complex, Palace Road, Bangalore – 560 052, and also assets of Unit I, Unit II and Unit III funded by them.
- 12.4 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, funded by them.
- 12.5 Secured loans obtained from EXIM Bank of Rs.21.55 Crores towards establishment of Formulation Plant at Uttarakhand and API project at Bangalore – first pari passu charge on the entire immovables and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:
- Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and
 - Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the Company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.
- 12.6 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.

- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 15) The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under Schedule 17.

16) EMPLOYEE STOCK OPTION SCHEME

Bal Pharma Limited's Employee stock option scheme – 2006 (ESOP 2006) : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be



granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The Company under ESOP-2006, had granted 219,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

*Stock option activity under ESOP-2006 was as follows:

Particulars	31.03.2009	31.03.2008
Options outstanding at the beginning	2,12,000	-----
Add: Options Granted	-----	2,19,500
Less: Options forfeited/Surrendered	2,100	7,500
Less: Options exercised	37,000	-----
Options outstanding at the end	172,900	2,12,000

* Exercise Price : Rs. 15.75/-

17) RELATED PARTY DISCLOSURES:

A. The related parties where control exists are the subsidiaries. There are no other parties over which the Company has control.

B. Related parties where control / significant influence exists or with whom transactions have taken place during the year ::

- i) Subsidiaries: Novosynth Research Labs Private Ltd
Basav Chem Limited.
- ii) Enterprises where principal / promoter shareholders have control or significant influence (Significant interest entities) :
Micro Labs Ltd – Enterprise owned by some of the promoter shareholders
- iii) Others:- (a) Desa Marketing International - Enterprise owned by the Managing Director of the Company.
(b) Siroya Developers (P) Ltd. - Enterprise owned by relatives of Managing Director of the Company.
(c) Siroya Constructions - Enterprise over which the Managing Director of the Company exercises joint control with other Partners.

C. Key managerial Personnel represented on the board:

- | | |
|-------------------|-----------------------|
| Shailesh D.Siroya | - Managing Director |
| Dr.S.Prasanna | - Whole time Director |

D. Particulars of related party transactions :

The following is a summary of significant related party transactions

(Amount in Rupees)

	31.03.2009	31.03.2008
i) Investments in Subsidiaries	NIL	5,00,000
ii) Sales to Significant interest entities	3,757,522	24,162,162
iii) Purchases from Significant interest entities	27,001	-
iv) Commission paid to Enterprise owned by the Managing Director of the Company	4,505,022	4,125,393
v) Capital advance to Enterprise in which the Managing Director of the Company exercises joint control with other partners	-	567,149
vi) Rent paid to subsidiaries	1,980,000	1,980,000
vii) Loans to subsidiaries	600	6,461,955
viii) Customer advances from significant interest entities	80,00,000	



E. Details of remuneration paid to the Managing Director and whole time Director are given in Note.No.18 of Schedule 20.

F. The Company has the following amounts due from / to related parties:

Particulars	31.03.2009	31.03.2008
i) Due from related parties		
a Subsidiaries : (Included in loans and advances)	6,462,755	6,462,155
b Significant interest entities (Included in Sundry Debtors)	104,730	4,929,388
c Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances)	58,268	58,268
ii) Due to related parties		
Enterprises owned by Managing Director of the Company (Included in current liabilities)	4,607,429	3,005,367
iii) Key Managerial Personnel (included in current liabilities)	-	-
iv) Subsidiaries (Included in current liabilities)	817,121	734,964
v) Significant interest entities(included in current liabilities)	8,000,000	NIL

18) Particulars of Managerial Remuneration:

The remuneration paid to Managerial personnel during the year :

	Managing Director		Whole time Directors	
	31.3.2009	31.3.2008	31.3.2009	31.3.2008
Salaries & Allowances	3,600,000	3,600,000	1,920,000	2,253,333
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

19) Computation of net profit in accordance with Section 349 & 350 read with Section 198 of the Companies Act, 1956 :

Particulars		Amount (Rs.)
Net Profit before taxation as per profit and loss account		40,537,275
Add		
Depreciation provided in the accounts	18,341,061	
Directors' sitting fee	65,000	
Managerial remuneration	5,520,000	
Loss on sale of assets	1,77,771	24,103,832
		64,641,107
Less :		
Depreciation under Section 350 of the Act		18,341,061
Net Profit for the purpose of Section 269		46,300,046
Managerial Remuneration to Whole time Directors (10%)		4,630,005
Managerial Remuneration to Whole time Directors		5,520,000

The remuneration paid to Mr. Shailesh D Siroya, Managing Director and Dr. S. Prasanna, Wholetime Director, is in accordance with the stipulations under Schedule XIII, Part II, Section II(B) of the Companies Act, 1956, and in terms of the shareholders approval by way of special resolution in the 17th Annual General Meeting held on 23rd September 2004, and 19th Annual General Meeting held on 20th September, 2006, and 21st Annual General meeting held on 23rd September 2008.

20) Auditor's Remuneration : (In Rupees)

	31.3.2009	31.3.2008
Statutory Audit Fees	170,000	150,000
Tax Audit Fees	50,000	50,000
Other services	84,521	129,736
Reimbursement of out of pocket expenses	30,000	60,000
	334,521	389,736



21) Details of Imported & Indigenous Raw Materials, Stores & Spare Parts consumed :

	31.03.2009	% of Total Consumption	31.03.2008 19,20,000	% of Total Consumption
Raw Materials				
Imported	192,601,014	51.6%	166,602,047	56.4%
Indigenous	180,715,068	48.4%	128,635,802	43.6%
Total	373,316,082		295,237,849	
Stores & Spares				
Imported	NIL	0%	NIL	0%
Indigenous	86,18,753	100%	8,272,550	100%

22) QUANTITATIVE INFORMATION

a) Installed capacity (as certified by the Management)

PRODUCT	UNIT	31.03.2009	31.03.2008
Tablets	Million Nos.	3770	650
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV-Fluids	Million Nos.	07	07
IV-Fluids	Million Nos.	19	19
IV-Fluids	Metric Tonne	38	38

b) Licensed Capacity-- Not Applicable

Notes : Installed capacities are as certified by Management and have not been verified by the auditors as this a technical matter.

During the year the Company capitalized its plant at Uttarakhand consequent to commencement of commercial production from 01.01.2009, leading to increase in installed capacity

c) Particulars of Production, Sale and Stock (Value in 000's)

Sl. No.	Particulars	Unit	Opening Stock		Production and Purchase			Sales		Closing Stock	
			qty	value	qty	qty	Value	qty	Value	qty	Value
		No.									
1	Tablets	000 Nos	23523	86568	674973	119759.3	57864.6	788500.7	533711.3	29754.6	55282.7
			(73314)	(109824)	(310484)	(17258)	(75641)	(377533)	(562120)	(23523)	(86568)
2	Capsules	000 Nos	2507	3824	24950	24260.5	32330.7	46092.5	61164.8	5625	6468.7
			(1512)	(1693)	(17730)	(17738)	(6445)	(34473)	(44425)	(2507)	(3824)
3	Liquids	Kilo Ltrs	72.1	2590	1299.7	48.1	9738.1	1328.4	70780.2	91.5	3296.1
			(53.4)	(1901)	(45.6)	(85.6)	(9982)	(112.5)	(17825)	(72.08)	(2590)
4	Ointments	Kgs	2216	3235	62985.6	3983	1211.6	49744.7	84566	19439.9	28666.1
			(1069)	(1481)	(14911)	(--)	(--)	(13764)	(28238)	(2216)	(3235)
5	EED	Million	0.001	7.00	5.4	---	---	5.3	8462.9	0.1	265.7
			(0.1)	(311)	(13.7)	(--)	(--)	(13.8)	(9704)	(0.00)	(7.0)
6	Bulk Drugs	Kgs	194	1208	38650.3	---	---	38840.3	292642	4.0	26.3
			(217)	(1290)	(38240)	(--)	(--)	(38263)	(222505)	(194)	(1208)

d)

RAW MATERIALS CONSUMED	UNIT	QUANTITY	VALUE (Rs.000)
Powder	Kgs	807,985	358,183
		(1,305,985)	(284,220)
Liquids	Ltrs	431,381	10,430
		(174,173)	(75,243)
Capsule	000'Nos	59,390	4,703
		(61,501)	(3,434)



- 23) (a) The claim for differential excise duty of Rs. 1,034,757 on Physician Samples demanded by the Central Excise Dept in the year 1999-2000 was decided in Company's favor by CESTAT in the year 2006-2007. However, the Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme Court of India against the said order of CESTAT, which is still pending.
- (b) The claim for differential excise duty of Rs.8.98 lakhs on physician's sales for the period September 1997 to February 1998 demanded by Central Excise Dept in respect of Unit I was contested and CESTAT, Bangalore upheld our appeal. However, Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme court of India against the said order of CESTAT, which is still pending.
- (c) The claim of duty and penalty of Rs.868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of Rs.30,000/- has been made.
- (d) A Sales Tax claim of Rs.749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of Rs.253,729 has been made. The application has being heard by the Deputy Commissioner, Ernakulam.
- (e) The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the Company expects to be material in relation to its business.
- 24) The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

25) **Unclaimed Dividends on Equity Shares:**

Year	Amount (Rs)
2001-02	2,855
2002-03	9,160
2003-04	184,828
2004-05	53,989
2005-06	165,488
2006-07	128,125
2007-08	374,196
Total	918,641

26) **Calculation of EPS (Basic and Diluted)**

	Year ended March 31, 2009	Year ended March 31, 2008
1. Opening No of shares	10,446,224	10,446,224
2. Total Shares Outstanding	10,483,224	10,446,224
3. Weighted average number of shares	10,455,474	10,446,224
4. Profit after Taxation and After preference dividend and dividend tax (Rs in Lakhs)	300.27	279.31
5. EPS	2.87	2.67
DILUTED		
6. Weighted average number of shares (including employee Stock options dilution)	10,699,730	10,736,089
7. Diluted EPS	2.81	2.60

- 27) During the year 2006-07, the Company was sanctioned partial support of Rs. 50 lakhs for 'Process Development for Manufacture of 3-amino-3-azabicyclo(3.3.0) octane' out of the project cost of Rs.150.26 lakhs by the Department of Scientific and industrial research, Ministry of Science and technology, Government of India, under its TDDP Programme, for a project duration of 24 months which was subsequently extended by one more year. An amount of Rs. 20 lakhs was received in pursuance of the said sanction. The Company repaid unutilized amount of Rs. 4.98 lakhs during the year & the balance amount outstanding along with interest accrued and due, has been disclosed under unsecured loans.



- 28) During the financial year 2007-2008, the Company entered into a share purchase agreement with the promoters and shareholders of Basav Chem Limited to acquire 100% control through purchase of existing Equity shares held by them. In accordance with the agreement, the Company purchased 100,000 equity shares of Rs 10/- each @ Rs. 5/-per share and paid the amount directly to the erstwhile shareholders. Also, the Company cleared Basav Chem Ltd's secured and unsecured loans. Further the Company is taking steps to amalgamate Basav Chem limited with itself. An amount of Rs. 6,461,537/- paid by the Company towards discharge of Basav Chem Limited's liabilities is disclosed as advance to Subsidiary.
- 29) The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and Export Markets represent geographical segments

Sales by market:

The following is the distribution of the Company's sales by geographical market:

Geographical Segments	2008-2009	2007-2008
India	690,513,589	566,228,878
Other than India	375,029,528	337,227,045
Total	1,065,543,117	903,455,923

Assets and additions to fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located

Particulars	2008-2009		2007-2008	
	India	Others*	India	Others*
Carrying amount of segment assets	1,064,251,470	103,156,765	948,234,692	95,630,840
Additions to fixed assets	302,376,908	--	18,055,670	--

- 30) Figures in brackets pertain to previous year.
- 31) Previous year figures have been regrouped /rearranged wherever necessary.

As per our Report Attached
For OSTAWAL & JAIN
Chartered accountants

FOR AND ON BEHALF OF THE BOARD

T. D. JAIN
Partner

S. RAMJI
AVP Finance & Company Secretary

S. PRASANNA
Director

SHAILESH D SIROYA
Managing Director

Place : Bangalore
Date : 29.06.2009



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rupees in '000)

	31.03.2009	31.03.2008
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	40,537	40,456
Adjustments for :		
Gratuity	1,803	(183)
Depreciation	18,341	15,818
Misc.expenditure written off	5,658	4,455
Others-ESOP amortisation	710	2,288
Interest received	(1,080)	(1,185)
Dividend income	(8)	(7)
Diminution in the value of investments	-	1,107
Provision no longer payable	(68)	(1,407)
Loss on sale of fixed assets	178	69
Interest Paid	39,267	27,276
Operating Profit before working capital changes	105,338	88,687
Adjustments for:		
(Increase)/Decrease in inventories	15,639	(15,642)
Increase in R& D Expenditure	(8,734)	(7,662)
Increase in trade & other Payables	83,888	51,527
(Increase)/ Decrease in trade & other Receivables	(60,120)	(22,002)
Advance Tax & Tds	(9,567)	(5,766)
Net Cash from Operating Activities	21,106	455
	126,444	89,142
B CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(113,842)	(143,002)
Net Cash from investing Activites	-	(500)
Sale of Fixed Assets	1,230	315
Dividend Income	8	7
	(112,604)	(143,180)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from ESOP allotment	583	-
Proceeds (Payments) from Long term borrowings	(5,660)	101,455
Workign Capital Borrowings	49,202	(10,113)
Payments of Unsecured Loans	(23,358)	7,904
Interest paid on borrowings	(39,267)	(27,276)
Interest received	1,080	1,185
Dividend & dividend tax paid	(12,222)	(9,166)
	(29,642)	63,989
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(15,801)	9,951
Opening Cash	29,000	19,049
Closing Cash	13,198	29,000
NET CASH CHANGE	(15,801)	9,951

Notes:

1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating, investing and Financing Activities.
2. Previous year figures have been regrouped / reclassified wherever necessary

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T.D. Jain
Partner

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
29.06.2009

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**

			Rs. 000's
I REGISTRATION	8368	STATE CODE	08
Balance sheet Date	31.03.2009		
II CAPITAL RAISED DURING THE YEAR			
Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private placement	NIL
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS			
Total Laibilities	902972	Total Assets	902972
SOURCE OF FUNDS			
Paid-up Capital	104832	Secured Loans	463391
Reserves & Surplus	269310	UnSecured Loans	8292
Deferred Tax	57147		
APPLICATION OF FUNDS			
Net Fixed Assets	549076	Net Current Assets	303936
Investments	896	Misc.Expenditure	49064
IV PERFORMANCE OF THE COMPANY			
Turnover	1035942	Profit After Tax	30027
Total Expenditure	995405	Earnings per share	2.87
Profit Before Tax	40537	Dividend	7.5%

IV GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF THE COMPANY AS PER MONETARY TERMS:

Item Code (ITC code)	29420029
Production Description	Gliclazide
Item Code (ITC code)	30042064
Production Description	Azithromycin
Item Code (ITC code)	29333990
Production Description	Ebastine

**CONSOLIDATED BALANCE SHEET AS AT 31.03.2009**

	SCH	AS AT 31.03.2009		AS AT 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1	104,832,240		104,462,240	
b. Reserves & Surplus	2	<u>267,513,407</u>	<u>372,345,647</u>	<u>245,860,601</u>	350,322,841
II. LOAN FUNDS					
a. Secured Loans	3	463,390,933		419,848,890	
b. Unsecured Loans	4	<u>8,292,182</u>	<u>471,683,115</u>	<u>31,650,000</u>	451,498,890
III. DEFERRED TAX LIABILITY (NET)					
	5		<u>57,874,479</u>		49,944,375
TOTAL			<u><u>901,903,241</u></u>		<u><u>851,766,106</u></u>
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	6	674,548,419		373,491,524	
b. Less: Accumulated Depreciation		<u>125,263,149</u>		<u>107,099,261</u>	
c. Net Block		549,285,270		266,392,263	
d. Add: Capital Work in Progress		<u>3,987,740</u>	<u>553,273,010</u>	<u>192,890,214</u>	459,282,477
II. INVESTMENTS					
	7		<u>150,000</u>		150,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	8	238,861,362		254,500,142	
b. Sundry Debtors		<u>292,858,622</u>		<u>233,375,405</u>	
c. Cash & Bank Balances		13,608,898		29,013,839	
d. Loans & Advances		<u>67,208,358</u>		<u>65,760,360</u>	
Total (A)		<u><u>612,537,240</u></u>		<u><u>582,649,746</u></u>	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	9	289,824,317		205,941,446	
b. Provisions		<u>23,632,106</u>		<u>30,697,072</u>	
Total (B)		<u><u>313,456,423</u></u>		<u><u>236,638,518</u></u>	
NET CURRENT ASSETS (A-B)			<u>299,080,817</u>		346,011,229
IV. INTANGIBLE ASSETS					
Gross Carrying Amount	10	83,059,313		74,325,209	
Less: Cumulative Amortisation & impairment loss		<u>33,659,899</u>		<u>28,002,809</u>	
Net Carrying Amount			<u>49,399,414</u>		46,322,400
TOTAL			<u><u>901,903,241</u></u>		<u><u>851,766,106</u></u>
NOTES ON ACCOUNTS					
	20				

As per our report of even date

For **OSTAWAL & JAIN**

Chartered Accountants

FOR & ON BEHALF OF THE BOARDT. D. Jain
PartnerS. Ramji
AVP Finance & Company SecretaryDr. S. Prasanna
DirectorShailesh Siroya
Managing DirectorBangalore
29.06.2009

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

Particulars	SCH	Year Ended 31.03.2009		Year Ended 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Sales & Services	11	1,065,543,117		903,455,923	
Less : Excise Duty		30,765,346		46,105,818	
			1,034,777,771		857,350,105
Other Income	12		1,224,247		5,797,029
			<u>1,036,002,018</u>		<u>863,147,134</u>
II. EXPENDITURE					
Cost of Materials Consumed	13	532,067,548		428,695,708	
Manufacturing Expenses	14	47,800,910		45,006,178	
Employees Remuneration & Benefits	15	103,063,735		80,187,182	
Selling & Distribution Expenses	16	195,170,006		156,565,854	
Administration Expenses	17	45,260,689		57,846,827	
Financial Expenses	18	47,122,664		33,670,662	
Amortization of Intangible Assets	19	5,657,090		4,455,402	
Depreciation	6	18,858,089	995,000,730	16,345,545	822,773,358
III. Profit for the year			41,001,288		40,373,776
Add : /(Less) Prior Year Adjustment			(444,280)		1,655,970
IV. Profit Before Income Tax			40,557,008		42,029,746
Provision for Income Tax - Current Year			1,629,325		7,557,618
Provision for wealth tax			40,613		28,266
(Excess) / Short Provision for Tax - Earlier Years			(1,318,398)		312,072
Deferred Tax (As Per AS 22)			7,930,104		3,697,158
Fringe Benefit Tax			2,346,766		1,863,234
V. Profit After Tax			29,928,598		28,571,398
VI. Balance Brought Forward From Previous Year			69,931,770		53,581,932
			<u>99,860,368</u>		<u>82,153,330</u>
VII. Appropriations					
Proposed Dividend:					
- Equity Shares		7862418		10,446,224	
Provision for Corporate Tax on Dividend					
- Equity Shares		1,336,218		1,775,336	
			9,198,636		12,221,560
VIII. Balance Carried to Balance Sheet			<u>90,661,732</u>		<u>69,931,770</u>
EARNINGS PER SHARE					
Basic EPS			2.85		2.74
Diluted EPS			2.85		2.65
No: of Equity Shares			10,483,224		10,446,224
NOTES ON ACCOUNTS	20				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
29.06.2009

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2009**

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
11,000,000 (P Y 11,000,000) Equity Shares of Rs 10 each	110,000,000		110,000,000	
400,000 (P Y 400,000) Redeemable Preference Shares of Rs 100 each	40,000,000	150,000,000	40,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
10,483,224 (P Y 10,446,224) Equity Shares of Rs 10 each		104,832,240		104,462,240
		104,832,240		104,462,240
Note :				
1. 3,040,000(P.Y 3,040,000) equity shares of Rs.10/- each have been issued as Bonus Shares by capitalisation of reserves				
2. 37,000 (P.Y NIL)equity shares of Rs.10/-each have been allotted to the eligible employees of the Company on exercise of the vested stock options in accordance with the terms of the 'Bal Pharma Limited ESOP 2006'. (Refer note 16, Schedule 20)				
SCHEDULE - 2				
RESERVES & SURPLUS				
1. Capital Reserve	4,405,725		4,405,725	-
Add : Capital Reserve on Consolidation	500,000	4,905,725	500,000	4,905,725
2. Share Premium				
Opening Balance	144,720,350			
Add: Premium on Exercise Employee Stock Options	917,600	145,637,950		144,720,350
3. General Reserve		24,015,000		24,015,000
4 Employee Stock options outstanding				
Balance at the beginning	4,038,600		-	
Add : Options granted	-		4,181,475.00	
Less : Transferred to securities premium account on exercise of options	704,850		-	
Less : Options forfeited/surrendered	(40,005)		(142,875)	
Balance at end of the Year (A)	3,293,745		4,038,600	
Deferred stock compensation cost				
Balance at the beginning	1,750,844		-	
Add : Options granted	-		4,181,475	
Less : Options forfeited/surrendered	(40,005)		(142,875)	
Less : Amortization	(710,094)		(2,287,756)	
Balance at the end of the year (B)	1,000,745		1,750,844	
(A) - (B)		2,293,000		2,287,756
5. P & L Account -Surplus				
Opening Balance	69,931,770		53,581,932	
Add: Surplus for the year	20,729,962	90,661,732	16,349,838	69,931,770
		267,513,407		245,860,601
SCHEDULE - 3				
SECURED LOANS				
TERM LOANS				
UTI	1,433,132		8,119,690	
EXIM Bank	189,660,800		185,000,000	
State Bank of Indore	17,398,455		23,398,455	
Others	5,545,977	214,038,364	3,180,288	219,698,433

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2009 (Contd..)**

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
WORKING CAPITAL LOAN				
Canara Bank	92,594,271		60,837,106	
Exim Bank	14,100,334		17,948,850	
Punjab National Bank	88,691,617		70,635,181	
ICICI Bank Ltd.,	53,966,347	249,352,569	50,729,320	200,150,457
		<u>463,390,933</u>		<u>419,848,890</u>
SCHEDULE - 4 UNSECURED LOANS				
State Bank of Hyderabad		-		29,170,000
Department of Scientific and industrial Research		6,169,002		-
Loan from Directors		2,123,180		2,480,000
		<u>8,292,182</u>		<u>31,650,000</u>
SCHEDULE - 5 DIFFERED TAX LIABILITY				
Opening Balance		49,944,375		46,247,217
Add: Liability created for the year		7,930,104		3,697,158
		<u>57,874,479</u>		<u>49,944,375</u>

SCHEDULE 6**FIXED ASSETS AS ON 31.03.2009**

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2008	Additions	Deletion	AS AT 31.03.2009	AS AT 01.04.2008	Written Back/ adjustments	For the Year	AS AT 31.03.2009	AS AT 31.03.2009	AS AT 31.03.2008
Land	27,384,623	14,214,542		41,599,165	-	-	-	-	41,599,165	27,384,623
Building	94,393,686	108,870,366		203,264,052	21,447,839	4,051,759	-	25,499,598	177,764,454	72,945,847
Plant & Machinery	80,325,897	120,465,034		200,790,931	31,661,959	5,282,731	-	36,944,690	163,846,241	48,663,938
Utilities	70,010,371	35,829,157		105,839,528	20,927,025	3,867,130	-	24,794,155	81,045,373	49,203,346
Furniture & Fixtures	13,515,492	1,125,535		14,641,027	4,273,538	904,491	-	5,178,029	9,462,998	9,241,954
Misc Fixed Assets:	74,974,166	16,316,321	12,189	91,278,298	23,910,082	3,198,859	351	27,108,590	64,169,708	50,944,083
Vehicles	12,887,289	6,350,582	2,102,453	17,135,418	4,878,818	1,553,119	693,850	5,738,087	11,397,331	8,008,472
Total	373,491,524	303,171,537	2,114,642	674,548,419	107,099,261	18,858,089	694,201	125,263,149	549,285,270	266,392,263
Previous Year	355,861,295	18,228,470	598,241	373,491,524	90968369	16,345,545	214,653	107,099,261	266392263	260619430
Capital Work-in Progress									3987740	192890214

Note : Additions include an amount of Rs. NIL (PY 2,794,484) incurred during the year on R & D of new products and processes in In-house R&D centre. These additions have been capitalized and depreciated in accordance with depreciation policy of the Company.

SCHEDULE - 7**INVESTMENTS****QUOTED :**

Non Trade :(at Cost) (Market Value as on 31.03.2008 not available)

(i) Lamina Foundries Limited

10,000 (PY. 10,000) Equity Shares of Rs. 10 each fully paid

(ii) Sri Jayalakshmi Autospin Limited

73,600 (PY. 73,600) Equity Shares of Rs. 10 each fully paid

Less: Provision for diminution in value

UN QUOTED :**Trade :**

In Subsidiary Company

Novosynth Research Labs Pvt. Ltd.,

(346 Equity Shares(PY 346) of Rs .1000 each fully paid)

Murgharajendra Sahakari Bank Limited. Sangli

Non Trade :

EQUITY SHARES of The Shamrao Vithal Co- Operative Bank Ltd.,

(5,000 Shares(PY 5,000) of Rs. 10 each fully paid)

	371,850		371,850	
	736,000		736,000	
	(1,107,850)	-	(1,107,850)	-
		-		-
		100,000		100,000
		50,000		50,000
		<u>150,000</u>		<u>150,000</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2009 (Contd..)**

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE- 8				
CURRENT ASSETS, LOANS & ADVANCES				
1. INVENTORIES				
(As valued & certified by the Management)				
Raw Materials	78,991,015		82,853,951	
Packing Materials	14,635,467		17,291,457	
Work in Progress	50,193,765		55,653,735	
Finished Goods	94,005,657		97,431,481	
Stores & Consumables	1,035,458	238,861,362	1,269,518	254,500,142
2. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	55,148,859		53,754,231	
Other Debts	237,709,763	292,858,622	179,621,174	233,375,405
3. CASH & BANK BALANCES				
Cash in Hand	664,990		266,177	
Balance with Scheduled Banks:				
- in EEFC	852,333		62,841	
- in Fixed Deposit	11,630,591		21,512,327	
- in Current Account	460,984	13,608,898	7,172,495	29,013,839
4. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	17,399,666		21,895,206	
Deposit with Govt. dept. & Others	30,710,708		27,524,632	
Advance Income Tax & TDS	12,572,807		12,154,129	
Advance to suppliers	6,166,124		3,719,987	
Indira Vikas Patra	3,000		3,000	
National Savings Certificate	10,725		10,725	
Interest Accrued but not due on deposits	345,328	67,208,358	452,681	65,760,360
		612,537,240		582,649,746
SCHEDULE- 9				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Trade Creditors :				
- Dues to Medium and small enterprises (Refer notes SI No 26)	-		-	
- Other Dues	164,167,683		126,693,916	
Capital Creditors	17,434,076		13,737,274	
Creditors for Expenses	44,612,096		29,341,766	
Advances from customers	27,166,447		14,021,159	
Dues to Subsidiaries	-		-	
Other Current Liabilities	27,361,670		14,069,248	
Deposits received from customers	8,021,954		7,181,040	
Unclaimed Rights Issue Application Money	141,750		141,750	
Unclaimed Dividends- Equity (Refer Notes SI No 26)	918,641	289,824,317	755,293	205,941,446
PROVISIONS				
Gratuity	7,692,748		5,632,115	
Provision for Tax	4,393,956		10,980,163	
Provision for Fringe Benefit Tax	2,346,766		1,863,234	
Dividend Payable (Equity Shares)	7,862,418		10,446,224	
Corporate Tax on Dividend Payable:			-	
Equity Shares	1,336,218		1,775,336	
		23,632,106		30,697,072
		313,456,423		236,638,518



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31.03.2009 (Contd..)

SCHEDULE 10

INTANGIBLE ASSETS AS ON 31.03.2009

Intangible Assets	Gross Carrying Amount				Cumulative Amortization				Net Carrying amount	
	As on 01.04.2008	Additions	Gross carrying amount adjustments	Aa at 31.03.2009	As on 01.04.2008	Amortization during the year	Retirement/ Disposal adjustments	As at 31.03.2009	As at 31.03.2009	as at 31.03.2008
Research and Development expenses	62,299,713	8,733,504	-	71,033,217	17,686,272	5,428,106	-	23,114,378	47,918,839	44613441
Development expenditure	11,690,472	-	-	11,690,472	10,316,537	228,984	-	10,545,521	1,144,951	1373935
Miscellaneous Expenditure (Novosynth)	335,024	600	-	335,623	-	-	-	-	335,623	335,023
Total	74,325,209	8,734,104	-	83,059,312	28,002,809	5,657,090	-	33,659,899	49,399,413	46,322,400
Previous Year	66,662,527	7,662,682	-	74,325,209	23,547,407	4,455,402	-	28,002,809	46,322,400	42779496

SCHEDULE - 10 A

RESEARCH & DEVELOPMENT EXPENSES

Raw Materials consumed	1,510,421	2,045,900
Fuel & Power	1,125,489	1,132,202
Water Charges	82,450	78,828
Laboratory Expenses	3,140,974	1,167,165
Salaries, Wages and other allowances	2,460,926	2,817,264
Others	413,244	421,323
	<u>8,733,504</u>	<u>7,662,682</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

Particulars	2008-2009		2007-2008	
	Rs	Rs	Rs	Rs
SCHEDULE - 11				
INCOME FROM SALES & SERVICES				
Exports:				
Sales	368,465,586		328,185,208	
Incentives	6,563,942		9,041,837	
	<u>375,029,528</u>		<u>337,227,045</u>	
Domestic Sales	725,861,412		566,774,229	
	<u>1,100,890,940</u>		<u>904,001,274</u>	
Less: Goods Returns	42,999,917	1,057,891,023	10,142,497	893,858,777
Conversion charges		7,652,094		9,597,146
		<u>1,065,543,117</u>		<u>903,455,923</u>
SCHEDULE - 12				
OTHER INCOME				
Interest -				
Bank		1,140,018		1,095,513
Others		-		89,126
Dividend Income		8,888		7,110
Foreign exchange fluctuation (Net)		-		653,602
Misc. Income		6,976		24,465
Provisions/ Creditors no longer payable written back		68,365		3,927,212
		<u>1,224,247</u>		<u>5,797,028</u>
SCHEDULE- 13				
COST OF MATERIALS CONSUMED				
RAW MATERIALS				
Opening Stock	82,853,951		63,351,938	
Add : Purchases	369,453,146		314,739,862	
Less : Closing Stock	78,991,015	373,316,082	82,853,951	295,237,849
PACKING MATERIALS				
Opening Stock	17,291,457		21,468,043	
Add : Purchases	46,064,651		36,723,416	
Less : Closing Stock	14,635,467	48,720,641	17,291,457	40,900,002

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

Particulars	2008-2009		2007-2008	
	Rs	Rs	Rs	Rs
WORK IN PROGRESS				
Opening Stock	55,653,735		37,076,051	
Closing Stock	50,193,765	5,459,970	55,653,735	(18,577,684)
FINISHED GOODS				
Opening Stock	97,431,481		116,499,516	
Less: Closing Stock	94,005,657	3,425,824	97,431,481	19,068,035
Purchase of Traded goods		101,145,031		92,067,506
		<u>532,067,548</u>		<u>428,695,708</u>
SCHEDULE - 14				
MANUFACTURING EXPENSES				
Consumables and Stores-opening stock	1,269,518		462,487	
Add: Purchases	8,384,693		9,079,581	
Less: Closing Stock	1,035,458	8,618,753	1,269,518	8,272,550
Power & Fuel	19,470,973		16,998,051	
Water Charges	1,090,004		1,103,212	
Laboratory and Testing	5,375,265		4,482,212	
Labour charges paid	4,782,349	30,718,591	8,427,035	31,010,510
Repairs & Maintenance:				
Building	129,312		137,281	
Machinery	3,598,525		3,433,944	
Others	4,735,729	8,463,566	4,951,412	5,723,119
		<u>47,800,910</u>		<u>45,006,179</u>
SCHEDULE - 15				
EMPLOYEES REMUNERATION & BENEFITS				
Salaries Wages & Allowances		77,086,372		58,145,527
Bonus & Exgratia		3,284,876		2,561,899
PF & E.S.I Contributions		7,050,877		5,898,950
Employees Welfare		6,193,566		4,076,067
Recruitment & Training		1,157,316		967,650
Gratuity		2,060,634		-
Amortisation of deferred stock compensation cost		710,094		2,287,756
Remuneration to Directors		5,520,000		6,249,333
		<u>103,063,735</u>		<u>80,187,182</u>
SCHEDULE - 16				
SELLING & DISTRIBUTION EXPENSES				
Advertisement		2,283,599		2,551,756
Seminar, Conference & Exhibition Expenses		2,925,755		5,395,814
Freight & Handling Charges on Export Sales		15,980,426		15,785,085
Commission on Sales		4,896,422		10,648,013
Field Staff Salaries & Incentives		68,902,125		49,131,569
Field Staff Travelling Expenses		37,261,036		28,480,313
Freight Outwards & Others		8,741,193		5,769,366
Breakages & Expired Goods		7,761,790		9,610,582
Other Selling Expenses		30,633,215		11,588,043
Sales Promotional Items		15,784,445		17,605,313
		<u>195,170,006</u>		<u>156,565,854</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

Particulars	2008-2009		2007-2008	
	Rs	Rs	Rs	Rs
SCHEDULE - 17				
ADMINISTRATION EXPENSES				
Travelling expenses - Inland				
- Directors	427,375		393,516	
- Others	4,464,535		4,315,445	
Travelling expenses - Foreign				
- Directors	566,754		1,409,648	
- Others	2,694,781	8,153,445	1,840,980	7,959,589
Repairs and Maintenance - Office	1,925,688		2,211,503	
Rates & Taxes	906,529		4,037,719	
Conveyance	3,257,862		2,425,627	
Postage, Telegram & Telephone	3,878,385		3,835,066	
Legal & Professional charges	5,208,344		6,255,423	
Printing & Stationery	3,792,802		5,362,774	
Insurance	2,388,674		4,261,093	
Rent	5,675,948		2,161,937	
Donations	14,401		30,442	
Directors Sitting fees	65,000		68,000	
Electricity Charges	752,729		807,301	
Audit Fees	362,096		417,826	
Bad Debts / Advances written off	2,140,851		9,957,860	
Registration Fees	80,327		1,182,323	
Vehicle Operation and Maintenance	2,442,600		2,465,746	
Foreign exchange fluctuation (Net)	748,638		-	
Loss on Sale of Fixed Assets	177,771		68,588	
Subscription & Membership	2,000,786		625,455	
Diminution in the value of Investment	-		1,107,850	
Miscellaneous Expenses	1,287,815	37,107,244	2,604,705	49,887,238
		45,260,689		57,846,827
SCHEDULE - 18				
FINANCIAL CHARGES				
Interest on Term Loan	7,945,183		3,711,098	
Interest on Working Capital Loan	29,103,721		21,640,747	
Other Interest	2,218,093	39,266,997	1,924,522	27,276,367
Bank Charges		7,855,667		6,394,295
		47,122,664		33,670,662
SCHEDULE - 19				
AMORTISATION OF INTANGIBLE ASSETS				
Development Expenses - Written off		228,984		652,872
R&D Expenses - Written off		5,428,106		3,802,530
		5,657,090		4,455,402



SCHEDULE 20-NOTES TO CONSOLIDATED ACCOUNTS:

A. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Bal pharma Limited and its subsidiaries (‘the group’ or ‘the Company’) have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (‘GAAP’) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

b) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the consolidated financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are prepared in accordance with ‘AS-21’ “Consolidated Financial Statement” issued by the Institute of Chartered Accountants of India.

The Consolidated Financial Statements relate to Bal Pharma Limited, (“the Company”) and its Subsidiary Companies (“the Group”). The consolidated Financial Statements have been prepared on the following basis:

The financial statements of the Company and the subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances/ transactions and resulting unrealized profits or losses in full. Unrealized losses resulting from intra group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.

The excess/deficit of cost to the parent Company of its investment in the subsidiaries over its portion of equity at the respective dates on which investments in such entities were made is recognized in the financial statements as Goodwill/Capital Reserve.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent Company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Subsidiary Companies considered in the consolidated financial statements are

Name of the Company	Country of incorporation	Voting power held as at 31 March 2009 (in percentage)
Basav Chem Limited	India	100%
Novosynth Research Labs Private Limited	India	100%

d) REVENUE RECOGNITION

Revenue from domestic sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from export sales is recognized when the significant risks and rewards of ownership of products are transferred to the customer, which is based upon the terms of the applicable contract.

Revenue from product sales is stated inclusive of Excise Duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.



Export entitlements under the Duty entitlement Pass Book ("DEPB") and Focus Marketing incentive scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

e) **FIXED ASSETS**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

f) **DEPRECIATION**

Depreciation on fixed assets of the parent Company is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Where as the depreciation on fixed assets of the Subsidiary (Basav chem. Limited) is provided for on the written down value method as per the rates and in the manner prescribed under the schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.

g) **VALUATION OF INVENTORIES**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in-first-out (FIFO)
Stores and spares	First in-first-out (FIFO)
Work-in-process and finished goods (manufactured)	FIFO and including an appropriate share of production Overheads
Finished goods (traded)	Actual cost of purchase

h) **RETIREMENT BENEFITS**

A. Gratuity

In accordance with Indian laws, Bal Pharma Limited and its Subsidiary in India provide for gratuity, a defined benefit retirement plan covering all eligible employees of the Company and its Subsidiary. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account.

B. Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

i) **INVESTMENTS**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

j) **FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.



Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

k) EXPENDITURE ON RESEARCH AND DEVELOPMENT

In accordance with the Accounting Standard 26 on Intangible Assets, the Management has recognized Revenue Expenditure, direct as well as allocated, on R & D projects for development of new products and processes as Intangible Assets, since it is of the opinion that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. These assets shall be amortized over a period of ten years starting from the year of commercial production. However, Revenue Expenditure on projects, which have become unsuccessful are charged off as an expense in the year in which they are abandoned. Capital expenditure incurred on research and development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the Company.

l) LEASES

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 01, 2001 are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term..

m) INCOME TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

n) EARNINGS PER SHARE

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

o) EMPLOYEES STOCK OPTION SCHEMES

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the employee stock option schemes, over the exercise price is treated as employee compensation and amortized over the vesting period.

p) PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**q) IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

B. NOTES ON ACCOUNTS

1) National Savings Certificates have been deposited with Commercial Tax Department.

2) EXPORT BENEFITS:

The Company has accounted an amount of Rs. 6,563,942/- (P.Y.Rs. 9,041,837/-) being the net amount of credit under the DEPB and other schemes as announced by the Import Export Policy. The same will be utilized for off-setting the customs duty on future imports. The accumulated amount outstanding on this account as on 31.03.2009 is Rs.4, 677,096/- (P.Y. Rs. 9,040,429/-) and the same is reflected under loans and advances.

3) MARKET DEVELOPMENT EXPENSES:

Expenditure incurred on Market development amounting to Rs. 228,984/- (P.Y.Rs. 652,872/-) has been written off during the year. Balance on this account as on 31.03.2009 is Rs.1,144,951/- (P.Y.Rs.1373,,935/-).

4) RESEARCH & DEVELOPMENT REVENUE EXPENSES:

An amount of Rs. 8,733,504/- (P.Y. Rs. 7,662,682/-) has been incurred during the year on research and development of new products and processes in the R & D Centre. The same is proposed to be amortised over a period of 10 years commencing from the year of commercial production. Amount written off during the year on account of the above was Rs. 5,428,106/- (P.Y. Rs 3,802,530/-) The balance on this account as on 31.03.2009 is Rs. 47,918,839/- (P.Y. Rs 44,613,441/-).

5) During the year an amount of Rs. 25,133,403/- (P.Y. Rs. 16,272,990/-) being interest on term loans for acquisition of qualifying capital assets was capitalised.

6) The Company has provided for Rs.5,99,217 /- (P.Y.Rs.526, 319/-) being Excise Duty on Finished Goods lying at various manufacturing units as at 31.03.2009.

7) BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:

	31.03.2009 Rs.	31.03.2008 Rs.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	2,991,323	716,458
B. Sec 40a(ia) Disallowances	229,700	50,400
	3,221,023	766,858
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	50,508,556	49,399,167
B. Others	10,586,946	1,312,066
	61,095,502	50,711,233
Net Deferred Tax Liabilities	57,874,479	49,944,375
Charge to Profit & Loss Account	7,930,104	3,697,158

8) CONTINGENT LIABILITIES NOT PROVIDED FOR (in Rupees)

a) Guarantees issued by Company's bankers Rs. 20,936,720/- (P.Y. Rs. 3,077,566/-)

b) Letter of credit Rs. 71,135,406/- (P.Y. Rs 77,524,922/-).

c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 1,434,335/- (P.Y. Rs. 25,275,881/-).

**9) CIF VALUE OF IMPORTS :****(in Rupees)**

	31.03.2009	31.03.2008
1. Raw Materials	186,572,876	150,863,630
2. Capital Goods (Including spares & components)	4,616,402	2,811,979
	191,189,278	153,675,609

10) A. EXPENDITURE IN FOREIGN CURRENCY

	31.03.2009	31.03.2008
a. Travelling Expenditure	2,462,114	2,129,247
b. Registration Fee	1,708,986	343,960
c. Commission on Export sales	2,597,789	409,043
d. Sales Promotion	1,114,997	829,500
	7,883,886	3,711,750

B) EARNINGS IN FOREIGN CURRENCY

	31.03.2009	31.03.2008
a. FOB Value of Exports	349,531,750	312,719,283

11) Gratuity Plan:

The following table set out the status of the plan as required under AS 15(revised):

Change in defined benefit obligation**(Amount in Rupees)**

	As at 31.03.2009	As at 31.03.2008
Opening defined benefit obligation	9,126,598.00	5,815,487.00
Interest cost	663,065.00	422,863.00
Current Service Cost	2,064,547.00	1,874,900.00
Benefits paid	667,198.00	(354,622.00)
Actuarial losses / (Gain)	(638,513.00)	1,143,059.00
Closing defined benefit obligation	10,548,499.00	8,901,687.00

Change in plan assets

	As at 31.03.2009	As at 31.03.2008
Plan Assets at beginning of the year, at fair value	3,269,573.00	3,358,385.00
Expected Return on plan Assets (estimated)	231,000.00	246,800.00
Contributions	-	-
Benefits settled	(667,198.00)	(354,622.00)
Actuarial gain/(loss) on plan assets	22,376.00	19,010.00
Plan Assets at end of the year, at fair value	2,855,751.00	3,269,573.00

Reconciliation of present value of the obligation and the fair value of the plan assets

	As at 31.03.2009	As at 31.03.2008
Fair Value of plan assets at the end of the year	2,855,751.00	3,269,573.00
Present value of the defined benefit obligation at the end of the year	10,548,499.00	8,901,687.00
Asset/(Liability) recognized in the balance sheet	(7,692,748.00)	(5,632,114.00)

**Gratuity cost for the period**

	As at 31.03.2009	As at 31.03.2008
Current Service Cost	2,064,547.00	1,874,900.00
Interest Cost	663,065.00	422,863.00
Expected Return on Plan Asset	(231,000.00)	(246,800.00)
Present value of obligation at the beginning of the year recognized	224,911.00	
Net Actuarial (Gain)/Loss recognized for the year	660,889.00	1,124,049.00
Opening plan assets recognized on 01 April 2008	-	(3,358,385.00)
Expense/(Income) recognized in the statement of P/L account	2,060,634.00	(183,373.00)

Movements in the Liability recognized in Balance sheet

	As at 31.03.2009	As at 31.03.2008
Opening Liability	5,632,114.00	5,815,487.00
Expense/income recognized for the period, as above	2,060,634.00	(183,373.00)
Contribution paid	-	-
Closing Liability	7,692,748.00	5,632,114.00

Assumptions at the valuation date

	As at 31.03.2009	As at 31.03.2008
Discount factor	7.00%	7.50%
Salary Escalation rate	5.5%	6.00%
Rate of Return (Expected) on plan Asset	8.00%	8.00%
Retirement age	58	58

12) SECURITY FOR LOANS IN SCHEDULE (3) TO BALANCE SHEET:

- 12.1 Hire purchase finance provided by various financial institutions is secured by a charge on the assets financed by the respective institutions.
- 12.2 The Working Capital Loan financed by Canara Bank, ICICI Bank, Punjab National Bank, and EXIM Bank under a Consortium arrangement with pari passu charge is secured against hypothecation of stock and book debts and first charge on fixed assets other than those financed by the term lending institutions.
- 12.3 AXIS Bank —Hypothecation of Office Equipments located at Corporate Office, 10/5, Lakshminarayan Complex, Palace Road, Bangalore – 560 052, and also assets of Unit I, Unit II and Unit III funded by them.
- 12.4 Loan obtained from State Bank of Indore is secured by hypothecation of assets of Unit II and Unit III, funded by them.
- 12.5 Secured loans obtained from EXIM Bank of Rs.21.55 Crores towards establishment of Formulation Plant at Uttarakhand and API project at Bangalore –first pari passu charge on the entire immovables and Hypothecation of whole of moveable fixed assets, both present and future of the Company including:
- Moveable plant and machinery, Equipment, Appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed and
 - Related movables in the course of transit or delivery whether now belonging or which may hereafter belong to the Company or which may be held by any person at any place within or outside India to the order or disposition of the Company and all document or title including bills of lading, shipping documents, policies of insurance and other instruments and documents relating to such movables together with benefits of all rights thereto.
- 12.6 All the Secured Loans have been guaranteed by two Directors including Managing Director in their personal Capacity.

- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.
- 15) The Company's significant leasing arrangements are in respect of operating leases for premises (office, stores, godowns, residential, guest houses, etc.) These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under Schedule 17.

**16) EMPLOYEE STOCK OPTION SCHEME**

Bal Pharma Limited's Employee stock option scheme – 2006 (ESOP 2006) : The Company instituted the 2006 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 23-09-2004. The Scheme covers all non promoter directors and employees and its subsidiaries. Under the scheme, the compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The market value of a share on each grant date is defined as the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange where there is highest trade volume during that period.

In case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee, failing which they would stand cancelled.

The Company under ESOP-2006, had granted 219,500 options to eligible employees. The vesting period for the options granted varies from 12 to 60 months.

Stock option activity under the 2006 Plan was as follows:

Particulars	Number of Options	Exercise Price
Options outstanding at the beginning	2,12,000	-----
Add: Options Granted	-----	219,500
Less: Options forfeited/Surrendered	2,200	7,500
Less: Options exercised	37,000	-----
Options outstanding at the end	1,72,900	2,12,000

* Exercise Price : Rs.15.75/-

17) RELATED PARTY DISCLOSURES:**A. Related parties where control / significant influence exists or with whom transactions have taken place during the year :**

- i) Enterprises where principal / promoter shareholders have control or significant influence (Significant interest entities) :

Micro Labs Ltd – Enterprise owned by some of the promoter shareholders

- iii) Others:-

- (a) Desa Marketing International - Enterprise owned by the Managing Director of the Company.
 (b) Siroya Developers (P) Ltd. - Enterprise owned by relatives of Managing Director of the Company.
 (c) Siroya Constructions - Enterprise over which the Managing Director of the Company exercises joint control with other Partners.

B. Key managerial Personnel represented on the board:

- Shailesh D.Siroya - Managing Director
 Dr.S.Prasanna - Whole time Director
 Shrenik D Siroya - Director

C. Particulars of related party transactions :

The following is a summary of significant related party transactions:

(in Rupees)

	31.03.2009	31.03.2008
i) Sales to Significant interest entities	3,757,522	24,162,162
ii) Purchases from Significant interest entities	27,000	----
iii) Commission paid to Enterprise owned by the Managing Director of the Company	4,505,022	4,125,393
iv) Capital advance to Enterprise in which the Managing Director of the Company exercises joint control with other partners	----	5,67,149
v) Customer advances from significant interest entities	8,000,000	----

D. Details of remuneration paid to the Managing Director and other Directors are given in Note.No.18 of Schedule 20.

**E. The Company has the following amounts due from / to related parties: (in Rupees)**

Particulars	31.03.2009	31.03.2008
i) Significant interest entities (Included in Sundry Debtors)		
a. Purchases from Significant interest entities	104,730	4,929,388
b. Enterprise in which Managing Director of the Company exercises joint Control with other partners (included in loans and advances)	58,268	58,268
ii) Due to related parties :		
Enterprises owned by Managing Director of the Company (Included in current liabilities)	4,607,429	3,005,367
iii) Key Managerial Personnel (included in current liabilities)	----	----
iv) Significant interest entities (included in current liabilities)	80,00,000	----

18) Particulars of Managerial Remuneration:

The remuneration paid to Managerial personnel during the year :

	Managing Director		Whole time Directors	
	31.3.2009	31.3.2008	31.3.2009	31.3.2008
Salaries & Allowances	3,600,000	3,600,000	19,20,000	2,649,333
Commission	Nil	Nil	Nil	Nil
Perquisites	Nil	Nil	Nil	Nil

19) Auditor's Remuneration

(in Rupees)

	31.3.2009	31.3.2008
Statutory Audit Fees	1,95,000	1,75,000
Tax Audit Fees	50,000	50,000
Other services	87,096	129,736
Reimbursement of out of pocket expenses	30,000	63,090
	362,096	417,826

20) Details of Imported & Indigenous Raw Materials, Stores & Spare Parts consumed :

(in Rupees)

	31.03.2009	% of Total Consumption	31.03.2008	% of Total Consumption
Raw Materials				
Imported	192,601,014	51.6%	166,602,047	56.4%
Indigenous	180,715,068	48.4%	128,635,802	43.6%
Total	373,316,082		295,237,849	
Stores & Spares Imported	Nil	0%	Nil	0%
Indigenous	86,18,753	100%	8,272,550	100%

22) QUANTITATIVE INFORMATION

a) Installed capacity (as certified by the Management)

PRODUCT	UNIT	31.03.2009	31.03.2007
Tablets	Million Nos.	3770	650
Capsules	Million Nos.	100	100
Liquids	Kilo Litres	750	750
Ointment	Metric Tonne	75	75
IV-Fluids	Million Nos.	07	07
IV-Fluids	Million Nos.	19	19
IV-Fluids	Metric Tonne	38	38

b) Licensed Capacity -- Not Applicable

Notes : Notes: Installed capacities are as certified by Management and have not been verified by the auditors as this a technical matter During the year, the Company capitalized its plant at Uttarakhand consequent to commencement of commercial production from 01.01.2009 leading to increase in installed capacity.



c) Particulars of Production, Sale and Stock

(Values in '000's)

Sl.no	Particulars	Unit No.	Opening Stock		Production and Purchase			Sales		Closing Stock	
			qty	value	qty	Qty	Value	qty	Value	qty	Value
1	Tablets	000'Nos	23523 (73314)	86568 (109824)	674973 (310484)	119759.3 (17258)	57864.6 (75641)	788500.7 (377533)	533711.3 (562120)	29754.6 (23523)	55282.7 (86568)
2	Capsules	000 Nos	2507 (1512)	3824 (1693)	24950 (17730)	24260.5 (17738)	32330.7 (6445)	46092.5 (34473)	61164.8 (44425)	5625 (2507)	6468.7 (3824)
3	Liquids	Kilo Ltrs	72.1 (53.4)	2590 (1901)	1299.7 (45.6)	48.1 (85.6)	9738.1 (9982)	1328.4 (112.5)	70780.2 (17825)	91.5 (72.08)	3296.1 (2590)
4	Ointments	Kgs	2216 (1069)	3235 (1481)	62985.6 (14911)	3983 (--)	1211.6 (--)	49744.7 (13764)	84566 (28238)	19439.9 (2216)	28666.1 (3235)
5	EED	Million	0.001 (0.1)	7.00 (311)	5.4 (13.7)	---	---	5.3 (13.8)	8462.9 (9704)	0.1 (0.00)	265.7 (7.0)
6	Bulk Drugs	Kgs	194 (217)	1208 (1290)	38650.3 (38240)	---	---	38840.3 (38263)	292642 (222505)	4.0 (194)	26.3 (1208)

d) RAW MATERIALS CONSUMED

RAW MATERIALS CONSUMED	UNIT	QUANTITY	VALUE (Rs.000)
Powder	Kgs	807,985 (1,305,985)	358,183 (284,220)
Liquids	Ltrs	431,381 (174,173)	10,430 (7,524)
Capsule	000'Nos	59,390 (61,501)	4,703 (3,494)

- 22) (a) The claim for differential excise duty of Rs. 1,034,757 on Physician Samples demanded by the Central Excise Dept in the year 1999-2000 was decided in Company's favor by CESTAT in the year 2006-2007. However, the Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme Court of India against the said order of CESTAT, which is still pending.
- (b) The claim for differential excise duty of Rs.8.98 lakhs on physician's sales for the period September 1997 to February 1998 demanded by Central Excise Dept in respect of Unit I was contested and CESTAT, Bangalore upheld our appeal. However, Commissioner of Central Excise, Bangalore filed a civil appeal in the Supreme court of India against the said order of CESTAT, which is still pending.
- (c) The claim of duty and penalty of Rs.868,598 for the period May 2000 to November 2001 by Central Excise in respect of Unit III is being contested and under the directions of CESTAT, Mumbai a pre-deposit of Rs.30,000/- has been made.
- (d) A Sales Tax claim of Rs.749,720/- on treating stock transfer as sales in Ernakulam by the Commercial Taxes, Special Circle I, KGST is being contested and a deposit of Rs.253,729 has been made. The application is being heard by the Deputy Commissioner, Ernakulam.
- (e) The Company is also involved in other lawsuits, claims, investigations and proceedings including patent and commercial matters, which arise in the ordinary course of business, however, there are no such matters pending that the Company expects to be material in relation to its business.
- 23) The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

24) Unclaimed Dividends on Equity Shares:

Year	Amount (Rs)
2001-02	2,885
2002-03	9,160
2003-04	184,828
2004-05	53,989
2005-06	165,488
2006-07	128,125
2007-08	374,196
Total	918,641

**25) Calculation of EPS (Basic and Diluted)**

Sl No.	Particulars	Year ended 31 March 2009	Year ended 31 March 2008
1.	Opening No of shares	10,446,224	10,446,224
2.	Total Shares Outstanding	10,483,224	10,446,224
3.	Weighted average number of shares	10,445,224	10,446,224
4.	Profit after Taxation and after preference dividend and dividend tax (Rs Lakhs)	299.29	285.71
5.	EPS	2.87	2.74
DILUTED			
6.	Weighted average number of shares (including employee stock option dilution)	10,463,032	10,736,089
7.	Diluted EPS	2.86	2.60

26) During the year 2006-07, the Company was sanctioned partial support of Rs. 50 lakhs for 'Process Development for Manufacture of 3-amino-3-azabicyclo(3.3.0) octane' out of the project cost of Rs.150.26 lakhs by the Department of Scientific and industrial research, Ministry of Science and technology, Government of India, under its TDDP Programme, for a project duration of 24 months which was subsequently extended by one more year. An amount of Rs. 20 lakhs was received in pursuant of the said sanction. The Company repaid unutilised amount of Rs. 4.98 lakhs during the year and the balance amount outstanding along with interest accrued and due, has been disclosed under unsecured loans.

27) The Company is primarily engaged in a single business segment of manufacturing and marketing of Pharmaceutical Formulations and Active Pharmaceutical Ingredients and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns.

Geographical segments

In the view of the management, the Indian and Export Markets represent geographical segments

Sales by market:

The following is the distribution of the Company's sales by geographical market:

Geographical segments	2008-2009	2007-2008
India	690,513,589	566,228,878
Other than India	375,029,528	337,227,045
Total	1,065,543,117	903,455,923

Assets and additions to fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to fixed assets by geographical area in which the assets are located.

Particulars	2008-2009		2007-2008	
	India	Others	India	Others
Carrying amount of segment assets	1,062,803,485	103,156,765	948,234,692	95,630,840
Additions to fixed assets	303,171,537	--	18,228,470	--

28) Figures in brackets pertain to previous year.

29) Previous year figures have been regrouped /rearranged wherever necessary.

As per our report of even date

For **OSTAWAL & JAIN**

Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain

Partner

S. Ramji

AVP Finance - Company Secretary

Dr. S. Prasanna

Director

Shailesh Siroya

Managing Director

Bangalore
29.06.2009



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(Rupees in '000)	
	31.03.2009	31.03.2008
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	40557	42030
Adjustments for :		
Gratuity	2060	(183)
Depreciation	18858	16346
Misc.expenditure written off	5658	5682
Interest received	(1080)	(1185)
Provision no longer payable	(68)	(3744)
Amortisation of Deferred stock compensation	710	2288
dividend income	(8)	(7)
Diminution in the value of investments	0	1107
Loss on sale of fixed assets	178	69
Interest Paid	39267	27276
Operating Profit before working capital changes	106132	89679
Adjustments for		
Increase in inventories	15639	(15642)
Increase in R& D Expenditure	(8734)	(7662)
Increase in trade & other Payables	83966	51040
Increase in trade & other Receivables	(59235)	(21397)
Advance Tax & TDS	(10132)	(5271)
NET CASH FROM OPERATING ACTIVITIES	21504	1068
	127636	90747
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(114637)	(143542)
Net Cash from investing Activites	0	(500)
Sale of Fixed Assets	1230	315
Dividend Income	8	7
	(113399)	(143720)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from ESOP allotment/share application	583	(1002)
Proceeds(Payments) from Long term borrowings	(5660)	95157
Workign Capital Borrowings	49202	(10113)
Payments of Unsecured Loans	(23358)	14139
Interest paid on borrowings	(39267)	(27276)
Interest received	1080	1185
Dividend & dividend tax paid	(12222)	(9166)
	(29642)	62924
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(15405)	9951
Opening cash	29003	19052
Closing Cash	13598	29003
NET CASH CHANGE	(15405)	(9951)
Notes:		
1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating, investing and Finanancing Activities		
2. Previous year figures have been regrouped / reclassified wherever necessary.		

As per our report Attached to Balance sheet
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

S. Ramji
AVP Finance & Company Secretary

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director

Bangalore
29.06.2009

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31st, 2009.

1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2008-09	2007-08
1) Total Income	20.40	43.17
2) Profits before Depreciation and provision for Taxation	5.37	21.02
Less: Depreciation	5.17	5.28
Profits before Taxation	0.20	15.74
Less:		
3) Provision for Taxation	-	3.08
4) Fringe Benefit Tax	0.11	0.06
5) Deferred Tax	1.07	6.20
6) Extraordinary/ Non recurring items	----- (1.18)	----- 9.34
	(0.99)	6.40
Add:		
7) Profit & Loss Account balance at the beginning of the year	-	-
8) Profit made available for appropriation	-	-
Less:		
9) Proposed Dividend on Equity Shares	-	-
10) Tax on dividends	-	-
11) Balance Carried to Balance Sheet	(0.99)	6.40

2. DIVIDEND:

Your Board has not recommended any dividend for the year 2008-09.

3. PERFORMANCE:

Your Company's total income of Rs. 20.40 Lakhs includes Rs. 19.80 Lakhs as rental income from leasing its facilities to its holding Company Bal Pharma Limited.

4. PROSPECTS FOR THE CURRENT YEAR:

In pursuant to share holders agreement with Bal Pharma Limited your Company became 100% subsidiary of Bal Pharma Limited and steps are being taken to amalgamate Basav Chem Limited with Bal Pharma Limited (Holding Company).

5. SECRETARIAL COMPLIANCE CERTIFICATE:

Your Board in its meeting held on 16.06.2008 has appointed Mr. Vijayakrishna K T, Company Secretary in whole-time practice, Bangalore under Section 383A of the Companies Act, 1956 to issue Secretarial Compliance Certificate for the year 2008-09.

6. PARTICULARS OF EMPLOYEES:

There was no employee whose remuneration was in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

Intimation pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not given as there is nothing to report

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2009:

- that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on 'going concern' basis.

9. DEPOSITS:

As on date of the Report, the Company has not accepted any public deposits.

10. DIRECTORS:

As on date, your Board consists of following directors:

- Mr. Shailesh Siroya
- Mr. Shrenik Siroya
- Dr. G.S.R. Subba Rao

Mr. Shrenik Siroya retire by rotation at the Annual General Meeting of the Company and being eligible, offer himself for reappointment. Your Directors have pleasure in recommending his reappointment.

11. AUDITORS:

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for reappointment.

12. APPRECIATION:

The Directors place on record their appreciation of the co-operation and guidance provided by Banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. Your Directors also place their appreciation of the good work rendered by all the employees. The Directors express their gratitude to all shareholders for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Sangli
29th June, 2009

Mr. Shrenik Siroya
Director

Shailesh Siroya
Director

TO THE MEMBERS OF M/s. BASAV CHEM LIMITED

We have audited the attached Balance Sheet of BASAV CHEM LIMITED as at 31 March 2009, the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
- (v) On the basis of the written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31 March 2009;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ostawal & Jain**
Chartered Accountants

Bangalore
Date: 29th June 2009

Sd/-
T. D. JAIN
Partner
M.M.No: 12034

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 3 of the report of the Auditors to the members of BASAV CHEM LIMITED for the year ended 31 March 2009:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by management at reasonable intervals during the year. No material discrepancies were noticed on such physical verification. Substantial part of fixed assets have not been disposed off during the year, which will affect its status as going concern.
2. The Company does not carry on any manufacturing or trading activity. Accordingly sub-clause (a), (b) and (c) of clause 4(ii) of the order are not applicable.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly Sub Clauses (b), (c) and (d) of clause 4(iii) of the Order are not applicable.
(b) The Company has taken interest free unsecured loan from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has taken interest free unsecured advance from its holding company. The maximum balance outstanding during the year was Rs.64, 61,537/- and the year end balance of advance was Rs.64, 61,537/-.
(c) Based on the information received and the explanations given, the terms and conditions of the advance are prima facie not prejudicial to the interest of the Company.
(d) As informed to us, the repayment of the dues was regular during the year.

4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of services. We have not observed any major weakness in the internal control system during the course of our audit.
5. (a) According to the information and explanations given to us and relevant records produced before us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
(b) According to information and explanations given by the management and relevant records produced before us, we are of the opinion that transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. The provisions of clause 4(vii) of the Order are not applicable to the Company.
8. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.
c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute.
10. The Company has accumulated losses in excess of 50% of its networth as at the end of the financial year. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loans and/or advance on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. In our opinion and accordingly to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable. The shares, securities, debentures and other investments are held by the Company in its own name.
15. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. In our opinion and according to information and explanations given to us and on the basis of examination of books of accounts, the Company has not taken any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us, and on an overall examination of Balance sheet and Cash Flow Statement of the Company, funds raised by the Company on short-term basis have not been used to finance Long-Term Investments.
18. The Company has not made any allotment of shares during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The company is not listed and hence, provisions of clause 4(xx) of the Order are not applicable.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Ostawal & Jain
Chartered Accountants

Sd/-
Bangalore
Date: 29th June 2009

T. D. JAIN
Partner
M.M.No: 12034

BALANCE SHEET AS AT 31.03.2009

	SCH	AS AT 31.03.2009		AS AT 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
a. Share Capital	1		1,000,000		1,000,000
b. Reserves & Surplus	2		1,405,725		1,405,725
II. LOAN FUNDS					
a. Secured Loans			-		-
b. Unsecured Loans	3		6,461,537		6,461,537
III. DEFERRED TAX LIABILITY (NET)					
TOTAL	4		<u>727,135</u>		<u>619,712</u>
			<u>9,594,397</u>		<u>9,486,974</u>
APPLICATIONS OF FUNDS					
I. FIXED ASSETS					
a. Gross Block	5	10,637,318		9,842,689	
b. Less: Accumulated Depreciation		6,441,251		5,924,223	
c. Net Block			4,196,067		
d. Capital Work in Progress			-	367,689	4,286,155
II. INVESTMENTS					
	6		100,000		100,000
III. CURRENT ASSETS, LOANS & ADVANCES					
a. Inventories	7		-		-
b. Sundry Debtors		817,121		734,964	
c. Cash & Bank Balances		398,873		2,500	
d. Loans & Advances		1,154,235		1,373,529	
Total (A)		<u>2,370,229</u>		<u>2,110,993</u>	
CURRENT LIABILITIES & PROVISIONS					
a. Current Liabilities	8	505,605		428,827	
b. Provisions		268,758		184,530	
Total (B)		<u>774,363</u>		<u>613,357</u>	
NET CURRENT ASSETS (A-B)			1,595,866		1,497,636
IV. Intangible Assets			-		-
V. Profit and Loss account (Debit Balance)	9		3,702,464		3,603,183
TOTAL			<u>9,594,397</u>		<u>9,486,974</u>
NOTES ON ACCOUNTS	14				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

Shrenik Siroya
Director

Shailesh D Siroya
Director

Bangalore
29th June, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

	SCH	Year Ended 31.03.2009		Year Ended 31.03.2008	
		Rs.	Rs.	Rs.	Rs.
I. INCOME					
Rental Income		1,980,000		1,980,000	
Other Income	10	59,620	2,039,620	2,337,162	4,317,162
			<u>2,039,620</u>		<u>4,317,162</u>
II. EXPENDITURE					
Employees Remuneration & Benefits	11	931,518		483,260	
Administration Expenses	12	536,474		1,727,465	
Financial Expenses	13	1,868		4,422	
Depreciation	5	517,028	1,986,888	527,830	2,742,977
III. Profit for the year			<u>52,732</u>		<u>1,574,185</u>
Prior Year Adjustment (Dr)			<u>33,000</u>		-
IV. Profit Before Income Tax			<u>19,732</u>		<u>1,574,185</u>
Provision for Income Tax - Current Year			940		178,360
(Excess) / Short Provision for Tax - Earlier Years			-		129,952
Deferred Tax (As Per AS 22)			107,423		619,712
Fringe Benefit Tax			10,650		6,170
V. Profit After Tax			<u>(99,281)</u>		<u>639,991</u>
VI. Less : Extra Ordinary / Non Recurring Items			-		-
VII. Balance Carried to Balance Sheet			<u>(99,281)</u>		<u>639,991</u>
Earnings per share					
Basic EPS			(0.99)		6.40
Diluted EPS			(0.99)		6.40
No. of Equity Shares			100,000		100,000
NOTES ON ACCOUNTS	14				

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

T. D. Jain
Partner

Bangalore
29th June, 2009

Shrenik Siroya
Director

FOR & ON BEHALF OF THE BOARD

Shailesh D Siroya
Director

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 1				
SHARE CAPITAL				
AUTHORISED				
2,00,000 (P Y 2,00,000) Equity Shares of Rs. 10 each		<u>2,000,000</u>		<u>2,000,000</u>
ISSUED, SUBSCRIBED & PAID UP				
EQUITY SHARE CAPITAL				
100,000 (P Y 100,000) Equity Shares of Rs 10 each fully paid (The entire share capital is being held by M/s. Bal Pharma Limited, the holding company)		<u>1,000,000</u>		<u>1,000,000</u>
		<u>1,000,000</u>		<u>1,000,000</u>
SCHEDULE - 2				
RESERVES & SURPLUS				
I. Capital Reserve		<u>1,405,725</u>		<u>1,405,725</u>
		<u>1,405,725</u>		<u>1,405,725</u>
SCHEDULE - 3				
UNSECURED LOANS				
M/s. Bal Pharma Limited (100% Holding Company)		<u>6,461,537</u>		<u>6461537</u>
		<u>6,461,537</u>		<u>6461537</u>
SCHEDULE - 4				
DEFERRED TAX LIABILITY				
Opening Balance		<u>619,712</u>		-
Add: Liability created for the year		<u>107,423</u>		<u>619,712</u>
		<u>727,135</u>		<u>619,712</u>

SCHEDULE 5

FIXED ASSETS AS ON 31.03.2009

ASSETS	Rate of Depreciation under WDV method	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2008	Additions	Deletions	As At 31.03.2009	As at 01.04.2008	Deletions	for the year	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	0	90,000	-	-	90,000	-	-	-	-	90,000	90,000
Factory Building	10%	3,045,558	355,662	-	3,401,220	1,731,174	-	143,229	1,874,403	1,526,817	1,314,384
Plant & Machinery	13.91%	6,420,796	355,035	-	6,775,831	4,019,842	-	345,354	4,365,196	2,410,635	2,400,954
Utilities	18.10%	3,907	56,250	-	60,157	3,116	-	7,982	11,098	49,059	791
Laboratory Equipments	13.91%	258,247	-	-	258,247	151,289	-	14,878	166,167	92,080	106,958
Furniture & Fixtures	18.10%	24,181	-	-	24,181	18,802	-	974	19,776	4,405	5,379
Computers	40.00%	-	27,682	-	27,682	-	-	4,611	4,611	23,071	-
Total		9,842,689	794,629	-	10,637,318	5,924,223	-	517,028	6,441,251	4,196,067	3,918,466
Previous Year		9,669,889	172,800	-	9,842,689	5,396,393	-	527,830	5,924,223	3,918,466	4,273,496
Capital Work-in Progress										-	367,689

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009 (Contd.)

	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - 6				
INVESTMENTS				
UN QUOTED :				
Non Trade :				
(i) Murgharajendra Sahakari Bank Limited, Sangli 4,000 (P.Y. 4,000) Equity Shares of R.s 25 each fully paid		100,000		100,000
		<u>100,000</u>		<u>100,000</u>
SCHEDULE- 7				
CURRENT ASSETS, LOANS & ADVANCES				
I. SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for more than six months	-		-	
Other Debts	817,121	817,121	734,964	734,964
2. CASH & BANK BALANCES				
Cash in Hand	395,711		-	
Balance with Scheduled Banks:				
- in Current Account	3,162	398,873	2,500	2,500
3. LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	169,878		164,877	
Advance Income Tax & TDS	929,557		1,165,852	
Deposit with Govt. dept. & Others	54,800	1,154,235	42,800	1,373,529
		<u>2,370,229</u>		<u>2,110,993</u>
SCHEDULE- 8				
CURRENT LIABILITIES & PROVISIONS				
A. CURRENT LIABILITIES				
Trade Creditors :				
- Dues to medium and small enterprises(Refer notes SI No 7)	-		-	
- Other Dues	-		-	
Capital Creditors	-		376,993	
Creditors for Expenses	375,771		39,540	
Other Current Liabilities	129,834	505,605	12,294	428,827
B. PROVISIONS				
Gratuity	257,168		-	
Provision for Tax	940		178,360	
Provision for Fringe Benefit Tax	10,650	268,758	6,170	184,530
		<u>774,363</u>		<u>613,357</u>
SCHEDULE -9				
Profit and Loss Account (Debit Balance)				
I. P & L Account				
Opening Balance	3,603,183		4,243,174	
Add : Loss for the year	(99,281)	3,702,464	639,991	3,603,183
		<u>3,702,464</u>		<u>3,603,183</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009

	2008-2009		2007-2008	
	Rs	Rs	Rs	Rs
SCHEDULE - 10				
OTHER INCOME				
Interest		59,620		-
Provisions / Creditors no longer required - payable written back		-		2,337,162
		<u>59,620</u>		<u>2,337,162</u>
SCHEDULE - 11				
EMPLOYEES REMUNERATION & BENEFITS				
Employees Welfare		56,368		87,260
Employer's contribution to P.F		89,147		-
Salaries & allowances		528,835		-
Gratuity		257,168		-
Remuneration to Directors		-		396,000
		<u>931,518</u>		<u>483,260</u>
SCHEDULE - 12				
ADMINISTRATION EXPENSES				
Travelling Expenses	75,766	75,766		57,219
Repairs & Maintenance:				
Machinery	22,818		107,199	-
Factory Maintenance	88,058		-	-
Others	14,098	124,974	50,053	157,252
Freight Charges		-	55,330	
Rates & Taxes	77,066		8,660	
Postage & Courier Charges	21,569		10,283	
Office Maintenance	49,625		17,869	
Legal & Professional charges	26,762		34,000	
Printing & Stationery	10,386		28,842	
Insurance	12,774		32,655	
Pre-Operative Expenses	-		1,226,492	
Audit Fees	27,575		28,090	
Advertisement	23,244		-	
Membership & subscription	17,001		-	
Telephone Charges	69,672		69,714	
Miscellaneous Expenses	60	335,734	1,059	1,512,994
		<u>536,474</u>		<u>1,727,465</u>
SCHEDULE - 13				
FINANCIAL CHARGES				
Bank Charges		1,868		4,422
		<u>1,868</u>		<u>4,422</u>

SCHEDULE 14**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2009****A. SIGNIFICANT ACCOUNTING POLICIES****a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

b) USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c) REVENUE RECOGNITION

Rental income is recognized on accrual basis over the lease term.

Service income is recognized as per the terms of the contracts with customers when the related services are performed, or the agreed milestones are achieved.

Dividend income is recognized when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment.

d) FIXED ASSETS

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

e) DEPRECIATION

Depreciation on fixed assets is provided for on the Written down value method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition.

f) INVESTMENTS

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

g) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) INCOME TAX EXPENSES

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) EARNINGS PER SHARE

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

j) PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

k) IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be Impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previous assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical Cost.

l) RETIREMENT BENEFITS

A. Gratuity

In accordance with Indian laws, the company provides for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the profit and loss account.

B. Short Term Employees Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

B. NOTES ON ACCOUNTS

- 1) During the financial year 2007-2008, the promoters and the shareholders of the company entered into an agreement with Bal pharma Limited for the sale of company's shares. Pursuant to the agreement, Bal Pharma Limited acquired 100% control through purchase of existing Equity shares held by them @ Rs. 5/- per share and paid the amount directly to the erstwhile shareholders. Also, Bal Pharma Limited, cleared the companies secured and unsecured loans. Further the Company is taking steps to amalgamate itself with Bal Pharma Ltd, its holding company. An amount of Rs.6, 461,537/- paid by Bal Pharma Limited towards discharge of Company's liabilities is disclosed under unsecured loans.
- 2) The Company has received rental income of Rs.1,980,000 (P.Y. 1,980,000) which is in respect of factory building and all its other fixed assets given on cancelable operating lease to Bal Pharma Limited.
- 3) **BREAK-UP OF DEFERRED TAX ASSETS AND LIABILITIES:**

	31.03.2009 Rs.	31.03.2008 Rs.
Deferred tax Assets recognized for timing differences due to:		
A. Current Liabilities	87,411	-
	87,411	-
Deferred tax Liabilities recognized for timing differences due to:		
A. Depreciation and other differences in block of fixed assets	814,546	619,712
	814,546	619,712
Net Deferred Tax Liabilities	727,135	619,712
Charge to Profit & Loss Account	107,423	619,712

4) RELATED PARTY DISCLOSURES:

A. Related parties where control / significant influence exists or with whom transactions have taken place during the year :

i) Holding Company: Bal Pharma Limited

B. Key managerial Personnel represented on the board:

Mr. Shailesh D.Siroya

Mr. Shrenik D Siroya

C. Particulars of related party transactions :

	31.03.2009	31.03.2008
	Rs.	Rs.
The following is a summary of significant related party transactions		
i) Rental income from holding company	1,980,000	1,980,000
ii) Loans from holding company	-	6,461,537
iii) Remuneration to key managerial personnel	-	396,000

D. The Company has the following amounts due from / to related parties:

	31.03.2009	31.03.2008
	Rs.	Rs.
i) Due from related parties		
a. Holding Company (Included in Sundry Debtors)	817,121	734,964
ii) Due to related parties		
Holding Company (Included in unsecured loans)	6,461,537	6,461,537

5) Auditor's Remuneration

	31.03.2009	31.03.2008
	Rs.	Rs.
Statutory Audit Fees	25,000	25,000
Reimbursement of out of pocket expenses	2,575	3,090
	27,575	28,090

6) Quantitative information as required by clause 3(ii) part II of schedule VI of Companies Act, 1956 is not applicable.

7) The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs.NIL. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

8) CONTINGENT LIABILITIES NOT PROVIDED FOR (in Rupees)

a) Guarantees issued by Company's bankers Rs. NIL/- (P.Y. Rs. NIL/-)

b) Letter of credit Rs. NIL (P.Y. Rs NIL).

c) Estimated value of contracts remaining to be executed on capital account and not provided for Rs. NIL/- (P.Y. Rs. 141,930).

9) CIF VALUE OF IMPORTS : (in Rupees)

31.03.2009	31.03.2008
NIL	NIL

10) A. EXPENDITURE IN FOREIGN CURRENCY

NIL	NIL
-----	-----

B. EARNINGS IN FOREIGN CURRENCY (in Rupees)

NIL	NIL
-----	-----

11) The Company has adopted revised Accounting standard 15 on "Employee Benefits" The following table set out the status of the plan as required under As 15 (revised) (Amount in Rupees)

	As at 31.03.2009
Change in defined benefit obligation	
Opening defined benefit obligation	224,911
Interest cost	16,868
Current Service Cost	32,346
Benefits paid	-----
Actuarial losses/(Gain)	(16,957)
Closing defined benefit obligation	257,168

Change in plan assets

Change in defined benefit obligation	
Plan Assets at beginning of the year, at fair value	-
Expected Return on plan Assets (estimated)	-
Contributions	-
Benefits settled	-
Actuarial gain/(loss) on plan assets	-
Plan Assets at end of the year, at fair value	-

Reconciliation of present value of the obligation and the fair value of the plan assets

Fair Value of plan assets at the end of the year	
Present value of the defined benefit obligation at the end of the year	(257,168)
Asset/(Liability) recognized in the balance sheet	(257,168)

Gratuity cost for the period

Current Service Cost	32,346
Interest Cost	16,868
Expected Return on Plan Asset	-----
Present value of obligation at the beginning of the year recognized	224,911
Net Actuarial (Gain)/Loss recognized for the year	(16,957)
Gratuity cost beginning of the year	-----
Opening plan assets recognized on 01 April 2008	-----
Expense/(Income) recognized in the statement of P/L account	257,168

Movements in the Liability recognized in Balance sheet

Opening Liability	-----
Expense/income recognized for the period, as above	257,168
Contribution paid	-----
Closing Liability	257,168

Assumptions at the valuation date

Discount factor	7.50%
Salary Escalation rate	6.0%
Rate of Return (Expected) on plan Asset	NA
Retirement age	58

12) Calculation of EPS (Basic and Diluted)

SI No.	Particulars	Year ended 31 March 2009	Year ended 31 March 2008
1.	Opening No of shares	100,000	100,000
2.	Total Shares Outstanding	100,000	100,000
3.	Weighted average number of shares	100,000	100,000
4.	Profit after Taxation (Rs in lacs)	(.99)	6.40
5.	EPS	(.009)	6.40
DILUTED			
6.	Weighted average number of shares	100,000	100,000
7.	Diluted EPS	(.009)	6.40

- 13) Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.
- 14) In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet
- 15) Previous year figures have been regrouped /rearranged wherever necessary.

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

Shrenik Siroya
Director

Shailesh D Siroya
Director

Bangalore
29th June, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(Rupees in '000)	
	31.03.2009	31.03.2008
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	20	1574
Adjustments for :		
Depreciation	517	528
Miscellaneous Expenditure written off	0	1227
Gratuity	257	0
Interest Paid	0	0
Provision no longer payable written back	0	-2337
Operating profit before working capital changes	794	992
Adjustments for :		
Decrease in Trade & other payables	77	487
Increase/ (Decrease) in Trade & Other Receivables	885	-605
Tax Refund / TDS	-565	-495
Net Cash from Operating Activities	397	613
	1191	1605
B CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	-795	-540
	-795	-540
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	0	-6298
Share Application money	0	-1002
Unsecured Loans	0	6235
Interest paid	0	0
Dividend & Tax on Dividend paid	0	0
Net Cash from financing activity	0	-1065
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	396	0
Opening cash	3	3
Closing Cash	399	3
NET CASH CHANGE	396	0
Notes:		
1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between operating, investing and Financing Activities		
2. Previous year figures have been regrouped / reclassified wherever necessary.		

As per our report of even date

For **OSTAWAL & JAIN**

Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain

Partner

Shrenik Siroya

Director

Shailesh D Siroya

Director

Bangalore

29th June, 2009

Your Directors have pleasure in presenting the Eighth Directors' Report along with the Audited Accounts of the Company for the financial year ended on 31st March, 2009.

OPERATIONS

Your Company is yet to commence its operations.

SHARE CAPITAL

Your Company has not issued any shares during the year under review and hence the capital remains the same.

AUDITORS

Messers Ostawal and Jain, Chartered Accountants, Auditors of the Company will retire at the end of the ensuing Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION :

Your Company is yet to commence its operations.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company has no employee whose salary exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm:

- i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- ii) that the accounting policies adopted are consistently followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit and Loss Account of the Company for the financial year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing/detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on 'going concern' basis;

APPRECIATION

Your Directors place on record their appreciation for the co-operation and guidance extended to the Company by all Government, banks, other business associates and financial institutions and express their gratitude to all the employees for their services.

For and on behalf of the Board of Directors

Bangalore
30th June, 2009

Dr. S. Prasanna
Director

Shailesh Siroya
Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of NOVOSYNTH RESEARCH LABS PRIVATE LIMITED as at 31 March 2009, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 is not applicable to the Company as its paid up capital and reserves does not exceed Rs.50 lacs and has not accepted any public deposit and does not have loan outstanding of Rs.25 lacs or more from any bank or financial institution at any time during the financial year and also does not have a turnover exceeding Rs.5 crore and hence a statement on the matter specified in paragraphs 4 and 5 of the said order has not been annexed.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

- (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books.
- (iii) The Balance Sheet dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Act to the extent applicable.
- (v) On the basis of the written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31 March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company, as at 31 March 2009.

For Ostawal & Jain
Chartered Accountants

Place : Bangalore
Date : 29th June, 2009

T.D. JAIN
Partner

BALANCE SHEET AS AT 31.03.2009

	SCH	As at 31.03.2009	As at 31.3.2008
SOURCES OF FUNDS			
I. SHAREHOLDERS' FUND			
a. Share Capital	1	<u>346,000</u>	<u>346,000</u>
TOTAL		<u>346,000</u>	<u>346,000</u>
II. APPLICATION OF FUNDS			
A. CURRENT ASSETS, LOANS & ADVANCES			
a. Cash & Bank Balances	2	<u>11,594</u>	<u>11,594</u>
TOTAL (A)		<u>11,594</u>	<u>11,594</u>
B. CURRENT LIABILITIES AND PROVISIONS			
a. Current Liabilities	3	<u>1,218</u>	<u>618</u>
TOTAL (B)		<u>1,218</u>	<u>618</u>
NET CURRENT ASSETS (A-B)		<u>10,376</u>	<u>10,976</u>
C. INTANGIBLE ASSETS			
(To the extent not written off or adjusted)	4	<u>335,624</u>	<u>335,024</u>
TOTAL		<u>346,000</u>	<u>346,000</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2009

	AS AT 31.03.2009	AS AT 31.3.2008
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
1,000 (P.Y. 1000) Equity Shares of Rs.1,000/- each	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>
ISSUED, SUBSCRIBED & PAID UP EQUITY SHARE CAPITAL		
346 (P.Y.346) Equity Shares of Rs. 1,000/- each fully paid (The entire share capital is being held by Bal Pharma Limited the Holding Company)	<u>346,000</u>	<u>346,000</u>
	<u>346,000</u>	<u>346,000</u>
SCHEDULE 2		
CURRENT ASSETS		
Cash and Bank Balances		
Balance in Bank in Current Account	<u>11,594</u>	<u>11,594</u>
	<u>11,594</u>	<u>11,594</u>
SCHEDULE - 3		
CURRENT LIABILITIES		
Amounts due to Holding Company	<u>1,218</u>	<u>618</u>
	<u>1,218</u>	<u>618</u>
SCHEDULE - 4		
INTANGIBLE ASSETS		
(To the extent not written off or adjusted)		
Preliminary Expenses	<u>29,734</u>	<u>29,734</u>
Pre-operative Expenses	<u>1,212</u>	<u>612</u>
Development Expenses	<u>304,678</u>	<u>304,678</u>
	<u>335,624</u>	<u>335,024</u>

Note: Since the operation is yet to begin, there was no income generation. Hence, Profit and Loss Account has not been drawn up.

As per our report of even date
For **OSTAWAL & JAIN**
Chartered Accountants

FOR & ON BEHALF OF THE BOARD

T. D. Jain
Partner

Dr. S. Prasanna
Director

Shailesh Siroya
Director

Bangalore
29.06.2009

ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORMAT

To : M/s. Bal Pharma Limited, Bangalore - 560 099.

I wish to participate in the Electronic Clearing Service introduced by Reserve bank of India. As requested, I give below the details of my bank account, to which you may electronically credit the payment due to me against the reference folio number mentioned against Point 1 :

1. Ref Folio No. / Client I.D. No. with D.P.I.D. No : _____
2. Particulars of the Bank : _____
3. a. Name of the Bank : _____
- b. Branch Address : _____
- c. 9 digit code number of the Bank & Branch as appearing on the MICR cheque issued by the bank*
- d. Account type (Please tick) : Savings Current Cash Credit
- e. Ledger Folio No. (if any) of your bank account : _____
- f. Account No. :

I hereby declare that the particulars given above are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date (s). If the payment transaction is delayed or not effected at all for any reason(s) beyond the control of the Company, I would not hold the Company responsible.

Date : _____

Signature of the first holder

(*) The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number (The following is not necessary if a blank cancelled cheque leaf or photocopy of cheque is enclosed with the form)

VERIFICATION BY THE BANK

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp :

Date : _____

Signature of the Authorised
Official from the Bank



Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall

Name and Address

No. of Shares Folio/Client I.D. No with D.P. I.D. No.

22nd Annual
General Meeting
25.09.2009

I hereby certify that I am a Registered Shareholder of the Company.

I hereby record my presence at the above Annual General Meeting of the Company.

A Member/Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member / Proxy



Bal Pharma Limited

Regd. Office : 21 & 22, Bommasandra Industrial Area, Hosur Road, Bangalore - 560 099.

PROXY FORM

I/We

of

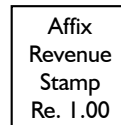
being a member / members of BAL PHARMA LIMITED hereby appoint

of or failing him / her

of as my / or proxy to attend and vote for me/us on my / our behalf at the 22nd Annual General Meeting of the Members of Bal Pharma Limited to be held on Friday, the 25th September, 2009 at 10.30 a.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

No. of Shares Folio/Client I.D. No with D.P. I.D. No.

Signed



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NOTE : Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. This form duly completed should be deposited at the Registered Office of the Company at Bangalore not later than 48 hours before the commencement of the meeting.

Space for Member's Note

FINANCIAL SUMMARY - LAST 10 YEARS AT A GLANCE

(Rs. in Lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
A. Sales and Earnings										
Gross Sales	11085.45	9135.98	7861.31	7647.41	6003.73	6204.63	5765.04	4523.67	3796.31	3051.20
Net Sales	10655.43	9034.56	7618.17	7462.04	5799.26	6046.50	5513.87	4408.72	3771.58	2986.13
Profit before Tax	405.57	420.30	315.92	357.03	220.22	284.03	275.50	213.10	152.11	120.37
Tax	106.28	134.59	114.23	64.45	32.38	23.81	13.36	14.33	9.42	12.16
Profit after Tax	299.29	285.71	201.69	292.58	187.84	260.22	262.14	198.77	142.69	108.21
Retained Earnings	207.30	163.50	110.03	200.71	61.86	103.12	149.19	113.47	57.39	48.98
B. Assets and Liabilities										
Net Fixed Assets	5532.73	4592.82	3123.62	2222.25	1903.83	1611.32	1439.17	1370.52	1257.89	1225.94
Investments	1.50	1.50	15.04	241.37	13.58	13.58	13.58	13.71	11.79	11.69
Net Current Assets	2990.81	3476.93	3775.59	4328.40	2959.32	2441.56	2127.18	1753.16	1566.75	1224.18
Intangible Assets	493.99	463.22	427.80	435.49	436.71	363.43	278.39	210.32	172.85	166.38
Share Capital	1048.32	1044.62	1044.62	1044.62	741	973	773	773	773	773
Reserves & Deferred Tax Liability	3253.88	2958.05	2758.08	2582.35	1623.09	1329.24	1226.14	1073.03	959.68	934.31
Loan Funds	4716.83	4531.81	3539.35	3600.54	2949.35	2127.65	1859.18	1501.68	1276.60	920.88
C. Ratios										
Earnings Per Share Rs.	2.85	2.74	1.93	2.90	1.55	2.63	3.34	2.98	1.95	1.60
Dividend per Equity share %	7.5	10.00	7.5	7.5	7.5	15	12	10	10	7.50
Book value per Equity Share Rs.	36.33	33.54	27.88	26.75	22.15	20.98	21.52	20.72	23.73	23.40

OUR MISSION

A full fledged Global player catering to the needs of medical fraternity and Pharmaceutical Industry



Bal Unit - 2 at Bangalore

- ♦ Plant Commissioned in the year 1996
- ♦ Multi Purpose API facility approved as per WHO-GMP guidelines
- ♦ Manufacture of Drug Intermediates
- ♦ Full fledged R & D lab approved by Department of Science & Technology



Bal Unit-4 at Uttarakhand

- ♦ State - of - art plant designed for regulated market in excise - free zone
- ♦ Formulation Plant in 4 1/2 acres land, having a construction area of 88000 sq.ft.

BOOK POST

Bal Unit - I at Bangalore

- ♦ Plant commissioned in the Year 1992
- ♦ WHO - GMP Certified & ISO 9001:2000 approved
- ♦ Manufacture of Finished Dosage Forms



Bal Unit - 3 with FFS Technology at Pune

- ♦ Plant renovated as per WHO-GMP guidelines
- ♦ Engaged in SVP and LVP (Intravenous) by Form Fill & Seal technology



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